

**MICHIGAN  
MUNICIPAL  
LEAGUE**

**Michigan Municipal League  
Liability and Property Pool**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
(CAFR)**

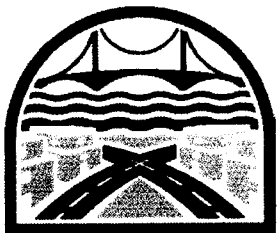
**DECEMBER 31, 2005**

# **Michigan Municipal League Liability and Property Pool**

## **Comprehensive Annual Financial Report (CAFR)**

**December 31, 2005**

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# MICHIGAN MUNICIPAL LEAGUE LIABILITY AND PROPERTY POOL

MICHIGAN MUNICIPAL LEAGUE  
1675 Green Road, P.O. Box 1487  
Ann Arbor, MI 48106-1487

Phone: (734) 662-3246  
Toll Free: (800) 653-2483  
Fax: (734) 741-1774

April 25, 2006

## BOARD OF DIRECTORS

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Michigan Municipal League

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RICHARD I. LEWIS  
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Mayor  
City of Kentwood

MICHAEL J. FORSTER  
Pool Administrator  
Michigan Municipal League

Mr. David Piner, Manager  
Office of Financial and Insurance Services  
Insurance Monitoring Division  
Ottawa Building, 3<sup>rd</sup> Floor  
611 W. Ottawa  
Lansing, MI 48933-1070

Dear Mr. Piner:

This is an introduction to, and summary of, information contained in the Comprehensive Annual Financial Report (CAFR), for the Michigan Municipal League Liability and Property Pool (Pool).

## I. Background

The Michigan Municipal League (League) formed the Pool pursuant to the Michigan Intergovernmental Cooperation Act, P.A. 138 of 1982, as amended. The Pool became operational in December, 1982.

The Pool membership consists of governmental agencies throughout the State of Michigan including cities, villages, townships, counties, public authorities and special districts. As a condition of membership in the Pool, each public agency must be either a member or an associate member of the Michigan Municipal League.

The legal basis of the Pool and its organization are set forth under the terms of a Pool Intergovernmental Contract which is entered into and signed by each Pool member. The Pool Board of Directors must approve the admission of each Pool member.

The Pool enrolled about 50 member municipalities during its first year of operation in 1983. Pool membership has fluctuated over the years, and at December 31, 2005, stands at 392 members with annual gross earned premiums of \$25.6 million.

## II. Pool Governance

A nine-member Board of Directors governs the Pool. Eight members of the Board are elected by mail ballot. The ninth Board member is the Executive Director of the League, who serves ex officio. The terms of office of the eight elected Board members are three years.

The Board designates a three-member executive committee to act on its behalf between meetings of the full Board of Directors, if necessary.

The League provides administrative and financial services to the Pool Board of Directors under the terms of a service contract. The Pool administrator and staff are employees of the League. A staff organization chart is attached.

### **III. Pool Coverages**

As authorized by Michigan law, the Pool provides a wide range of insurance coverages to its members with the details spelled out in a manuscript Pool coverage document. Liability coverages consist of general liability, public official's liability, police liability and automobile liability.

The minimum limit of liability provided by the Pool is \$1 million per occurrence. The Pool offers optional limits of \$2 million, \$5 million and \$10 million per occurrence.

Since its inception, the Pool has been a member of the Michigan Catastrophic Claims Association. The Pool provides members with standard no-fault automobile coverage as well as coverage for automobile physical damage.

The Pool coverage document provides comprehensive property coverage with total insured values of more than \$3.8 billion.

### **IV. Reinsurance**

The Pool purchases reinsurance excess of its retention. For 2005, the Pool retains the first \$500,000 per occurrence of each liability loss.

The Pool liability reinsurance is arranged in four layers, as follows: \$500,000 excess of \$500,000; \$1 million excess of \$1 million; \$3 million excess of \$2 million; and \$5 million excess of \$5 million. All liability reinsurance is on a per occurrence basis. On property risks, the Pool retains the first \$100,000 per occurrence and has an aggregate retention of \$2.5 million.

Internal solvency procedures for qualification of reinsurers have been implemented to provide reasonable assurance that participating reinsurers are financially sound.

All Pool member contributions and the investment income earned thereon are maintained to pay the Pool's retained losses and administrative expenses. There are no provisions for member assessments.

### **V. Service Contractors**

A. The Pool Board of Directors has contracted with Meadowbrook Insurance Group for the performance certain services including underwriting, rating, policy issuance, statistical and record keeping work, loss control services and claims administration set forth in a service agreement. Prospective Pool members must complete a membership application identifying various exposures. Standard rates are then applied to the various exposures in order to produce Pool premiums sufficient to cover losses and expenses as projected by an independent actuary. Individual Pool member premiums are adjusted in accordance with the member's loss experience.

B. Investment Management

The Pool Board of Directors has contracted with Munder Capital Management of Birmingham, Michigan and Invesco - National Asset Management of Louisville, Kentucky for investment management services. The Brice Group of Bloomfield Hills, Michigan is retained to provide a quarterly review of the investment managers' performance.

C. Actuarial Services

The Pool Board of Directors has engaged the services of Tillinghast - Towers Perrin for actuarial services. An actuarial rate review and certification of loss reserves are performed annually by Tillinghast for the Pool.

D. Pool Auditors

The Board has engaged the firm of PricewaterhouseCoopers to audit the Pool's financial statements.

**VI. Pool Tax Status**

In 1985, the Pool applied for and received a written ruling from the Internal Revenue Service. It states that Pool income is tax-exempt.

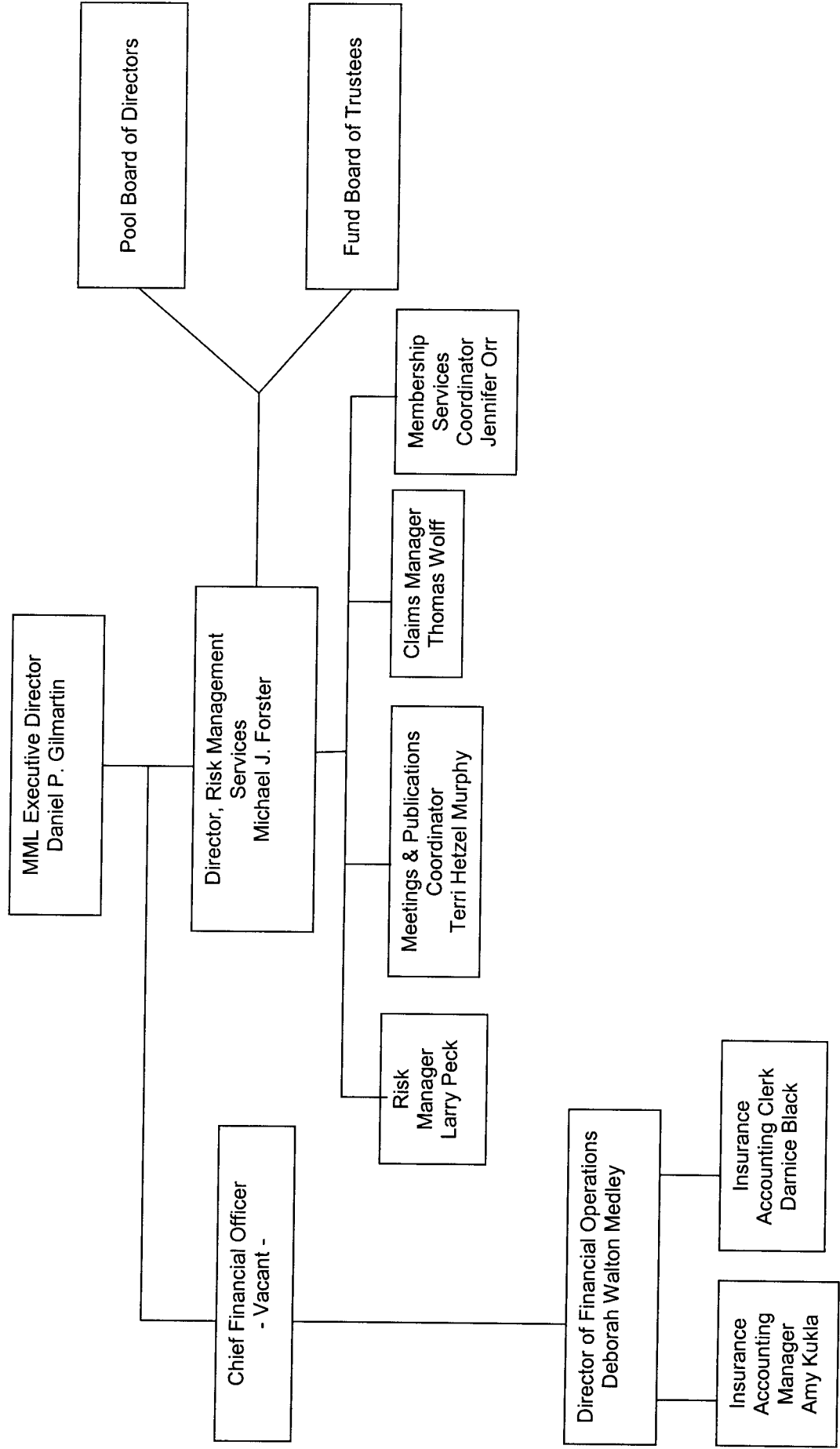
The mission of the Pool is to provide a long-term, stable, cost-effective risk management alternative for members and associate members of the Michigan Municipal League. A knowledgeable Board of Directors, focused administrative staff and high quality service providers and reinsurers combine to protect the financial interests of the Pool and its members. I trust that the information provided here completes and responds to your requirements. Please contact me if you have any questions or need anything further.

Sincerely,



Michael J. Forster  
Pool Administrator  
Michigan Municipal League

**MML Risk Management Operations**  
**Staff Accountability**  
January 24, 2006



# **Michigan Municipal League Liability and Property Pool**

**Financial Statements and Additional Information  
December 31, 2005 and 2004**

**Michigan Municipal League Liability and Property Pool**  
**Index**  
**December 31, 2005 and 2004**

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## **Report of Independent Auditors**

To the Board of Directors and Members of the  
Michigan Municipal League Liability and Property Pool

In our opinion, the accompanying balance sheets and the related statements of revenues, expenses and changes in accumulated members' equity and cash flows present fairly, in all material respects, the financial position of the Michigan Municipal League Liability and Property Pool (the "Pool") at December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Pool's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2, the Pool adopted the provisions of the Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures* in 2005.

The management's discussion and analysis on pages 2-10 are not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

April 7, 2006

# **Michigan Municipal League Liability and Property Pool**

## **Management's Discussion and Analysis (Unaudited)**

### **December 31, 2005 and 2004**

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#### **The Reporting Entity**

The Michigan Municipal League (MML or League) formed the Michigan Municipal League Liability and Property Pool (Pool) pursuant to the Michigan Intergovernmental Cooperation Act, P.A. 138 of 1982, as amended. The Pool became operational in December 1982. The mission of the Pool is to provide a long-term, stable, cost-effective risk management alternative to members and associate members of the League. The Pool provides services intended to reduce the frequency and severity of losses occurring in the operation of local government functions. It also defends and indemnifies its members against legal liability or loss in accordance with the terms of its Intergovernmental Agreement and Coverage Document.

The Pool is comprised of municipalities and related agencies throughout the State of Michigan including cities, villages, townships, counties, public authorities and special districts. As a condition of membership in the Pool, each public agency must be either a member or an associate member of the League.

The legal basis of the Pool and its organization are set forth under the terms of a Pool Intergovernmental Contract which is entered into and signed by each Pool member. The Pool Board of Directors must approve the admission of each Pool member.

Our discussion and analysis of the Pool's financial performance provides an overview of its financial activities for the fiscal years ended December 31, 2005 and 2004. Please read it in conjunction with the Pool's financial statements, which begin on page 11.

#### **Financial Highlights**

Membership levels and premium rates remained stable during 2005. Net member earned premiums increased 8% overall, primarily as a result of new members joining the Pool.

- Net ultimate loss projections remained fairly consistent with 2004 results, decreasing approximately \$1.3 million or 3.7%. An analysis of claim trends indicates improved results on prior years in the general liability, auto liability, and public official lines of business. Police liability results have shown modest deterioration.
- Total assets increased from the prior year by approximately \$2.4 million or 3.4%, primarily as a result of investment returns and an increase in reinsurance receivables on paid claims. Subsequent to year end, the Pool collected approximately \$1.7 million of reinsurance receivables on paid claims.
- The Pool reported an operating income of \$3.4 million in 2005, despite a \$1.3 million uncollectible reinsurance recovery associated with a specific claim. This compares to an operating income of \$3.9 million in 2004.

#### **Overview of the Financial Statements**

The Pool's accounting records are maintained on an accrual basis, which is in accordance with generally accepted accounting principles. Financial data is presented for both the current and prior fiscal year. Financial data is also compared to an annual budget adopted by the Board of Directors.

**Michigan Municipal League Liability and Property Pool  
Management's Discussion and Analysis (Unaudited)  
December 31, 2005 and 2004**

**Additional Information**

**Notes to the Financial Statements**

The notes provide additional information that is integral to a full understanding of the financial information presented in the financial statements. The notes to the financial statements begin on page 13.

**Supplemental Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information regarding the Pool's ten-year claims development history. The determination of current member rates to cover the assumed risk of possible future loss occurrences is largely guided by claim development. Trends in claim development indicate whether losses are increasing, decreasing or static. Required supplementary information is located on pages 24 and 25.

**Annual Adopted Budget and Budgetary Controls**

Each year the Pool adopts an annual operating budget for the current year. The budget is presented to the Pool's Board of Directors for final review and adoption. The Board approves any interim amendments to the annual budget. The Pool Administrator prepares the budget and reviews expenditures on a monthly basis to assure compliance with the adopted budget.

**Michigan Municipal League Liability & Property Pool  
Budget Variance Analysis  
2005 Year  
As of December 31, 2005**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Member premiums earned	\$ 25,275,000	\$ 25,677,807	\$ 402,807
Less: Reinsurance premiums expense	9,350,000	9,229,647	(120,353)
Net member premiums earned	15,925,000	16,448,160	523,160
Investment income including increase in fair value of investments	1,055,000	1,822,535	767,535
Total revenues	16,980,000	18,270,695	1,290,695
Loss and loss adjustment expenses incurred, net of reinsurance	11,500,000	10,198,440	(1,301,560)
Service agent, marketing and risk control fees	4,118,000	4,359,146	241,146
Administrative expenses	383,302	282,485	(100,817)
Total expenses	16,001,302	14,840,071	(1,161,231)
Excess of revenues over expenses	\$ 978,698	\$ 3,430,624	\$ 2,451,926

The following is an explanation of the significant variances of the budget to actual for 2005:

Member premiums earned exceeded the budget primarily as a result of a net increase in new members joining the Pool and net increases in members' exposures which include increases in property values and payroll. The Pool gained 7 members with written premiums totaling \$965,058 and lost 7 members with written premiums totaling \$237,437 during 2005. The Pool's member renewal rate is at 99.9%.

**Michigan Municipal League Liability and Property Pool  
Management's Discussion and Analysis (Unaudited)  
December 31, 2005 and 2004**

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Actual reinsurance premiums approximated the budget parameter. The budget reflects anticipated stability in the liability and property reinsurance premium rates and a modest increase for Michigan Catastrophic Claims Association ("MCCA") assessments. The 2005-06 MCCA assessment is based on a fee of \$141.70, an 11% increase over the 2004-05 automobile rate.

Investment income, including changes in the fair market value of investments exceeded the 2005 budget expectations. Investment income fluctuations are due to changes in market conditions and interest rates. The 2005 budget reflects an assumption of a favorable investment market environment. The Pool experienced an environment of rising interest rates and an improved equity market.

Losses and loss adjustment expenses, net of reinsurance were lower than anticipated due to the continued impact of numerous favorable case law decisions affecting governmental immunity law, sewer back-up coverage restrictions, and incurred but not reported ("IBNR") reserve adjustments.

Service agent, marketing and risk control fees were higher than budget as a result of a contractual provision that required payment of a profit contingency fee to a third party administrator ("TPA") as a result of the underwriting gain reported for 2005.

Administrative Expenses include various expenses such as legal fees, actuarial fees, loss control, information technology and director expenses. The costs for most expenses were lower than anticipated in the budget.

**Michigan Municipal League Liability and Property Pool  
Management's Discussion and Analysis (Unaudited)  
December 31, 2005 and 2004**

**Comparative Balance Sheet**

	2005	2004	2003
<b>Assets</b>			
Cash and cash equivalents	\$ 1,010,143	\$ 1,458,367	\$ 1,060,627
Investments, at market value	67,562,813	65,597,780	61,505,990
Accounts receivable	219	166,968	82,634
Premiums receivable	139,607	308,561	303,458
Claim deductibles receivable	517,673	498,008	792,033
Reinsurance receivable on paid claims	1,742,481	741,845	1,253,208
Accrued interest receivable	571,111	590,238	543,968
Deposit with reinsurer	-	-	62,660
Investment in NLC Mutual Insurance Co. at cost	1,600,594	1,414,953	1,414,953
Prepaid expenses and other assets	558,302	529,196	482,089
<b>Total assets</b>	<b>\$ 73,702,943</b>	<b>\$ 71,305,916</b>	<b>\$ 67,501,620</b>
<b>Liabilities and Accumulated Members' Equity</b>			
Net reserves for losses and loss adjustment expense	\$ 10,512,485	\$ 11,938,646	\$ 12,659,689
Net reserves for IBNR loss and loss adjustment expense	22,945,815	22,794,347	23,371,695
Reserve for unallocated losses	812,000	812,000	812,000
Unearned member premiums, net	9,711,835	9,723,638	8,301,181
Accounts payable	396,627	143,728	352,663
<b>Total liabilities</b>	<b>44,378,762</b>	<b>45,412,359</b>	<b>45,497,228</b>
Accumulated members' equity	29,324,181	25,893,557	22,004,392
<b>Total liabilities and accumulated members' equity</b>	<b>\$ 73,702,943</b>	<b>\$ 71,305,916</b>	<b>\$ 67,501,620</b>

The Pool's total assets increased 9% over the past two years, from \$67.5 million to \$73.7 million. A significant component of the change in the Pool's assets is the increases in the investment portfolio.

The investment portfolio consists of a variety of fixed income, equities and real estate investment trusts. The fixed income securities, representing 86% of the portfolio, range from Treasury and Agency type securities, AAA to BBB rated securities to high yield corporate bonds. The average life of the fixed income securities is 2.5 years with an average duration of 2.2 years, yielding an average return of 4.8%.

The equity portfolio, representing 10% of the portfolio, produced a 6% return for the year. Equities in comparison to the S&P 500 are overly weighted in the computer hardware, biotech, metals/mining, restaurants and energy reserve industries. The real estate investment trust (REIT) represents 4% of the investment portfolio producing a 9.31% return for the 2005 year. The portfolio is comprised of publicly-traded REITs and private real estate companies, both of which include higher quality companies with strong dividend growth potential.

**Michigan Municipal League Liability and Property Pool  
Management's Discussion and Analysis (Unaudited)  
December 31, 2005 and 2004**

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Reinsurance Receivables on Paid Claims increased during the year as a result of payments made on a number of large claims. The receivable represents amounts due from reinsurers for 9 liability and 2 property claims paid during 2005 and prior. The increase during the year is the net result of the collection of over \$2.8 million of reinsurance receivables and additional reinsurance receivables added totaling more than \$3.8 million.

During the year, an increase was recorded for the Investment in NLC Mutual Insurance Company which represents a capital call of \$185,641. NLC Mutual implemented a capital call in accordance with its bylaws; requiring its members to invest additional funds to help improve its surplus position.

Total liabilities decreased 2% since 2003, from \$45.5 million to \$44.4 million. Net reserves for losses and loss adjustment expenses decreased 17% while net reserves for incurred but not reported losses decreased 2%. During the year, the Pool experienced reserve decreases due to the settlement or dismissal of several large claims.

Accumulated members' equity increased 33%, from \$22.0 million in 2003 to \$29.3 million in 2005. The increase in the Pool's financial position is a result of improved claim experience and positive investment results.

**Capital Assets and Debt Administration**

The Pool has no long-term debt. All material commitments and contingencies are disclosed in Note 6 on page 21 of the financial statements. The Pool has no plans to encumber any debt or enter into additional commitments in the foreseeable future.

**Michigan Municipal League Liability and Property Pool  
Management's Discussion and Analysis (Unaudited)  
December 31, 2005 and 2004**

**Operating Results and Changes in the Pool's Accumulated Members' Equity.**

	2005	2004	2003
<b>Operating revenues</b>			
Member premium earned	\$ 25,677,807	\$ 25,173,739	\$ 24,294,519
Less: Reinsurance premiums expense	9,229,647	10,023,227	8,277,194
Net member premium earned	16,448,160	15,150,512	16,017,325
Investment income	2,945,708	2,517,180	2,572,332
Increase (decrease) in the fair market value of investments			
Realized gains (loss)	(4,031)	72,811	65,389
Unrealized gains (loss)	(1,119,142)	(537,733)	896,251
Total operating revenues	18,270,695	17,202,770	19,551,297
<b>Operating expenses</b>			
Losses and loss adjustment expense incurred, net of reinsurance	10,198,440	8,969,070	11,342,983
Service agent fee	4,359,146	4,096,156	4,335,717
Administrative expenses	282,485	248,379	289,233
Total expenses	14,840,071	13,313,605	15,967,933
Excess of operating revenues over expenses	3,430,624	3,889,165	3,583,364
<b>Accumulated Members' Equity</b>			
Beginning of year	25,893,557	22,004,392	18,421,028
End of year	\$ 29,324,181	\$ 25,893,557	\$ 22,004,392

***Member Premiums Earned***

During 2005, the Pool provided insurance coverage to 397 members. Pool coverage includes General Liability, Police, Errors & Omissions, Property, Auto, Crime and Inland Marine. Written premiums are recognized as earned on a pro rata basis over the life of the policy term. Premiums written during 2005 totaled \$26.1 million. For the year ended December 31, 2005, the Pool reported earned premiums of \$25.7 million compared to \$25.2 million and \$24.3 million for years ended 2004 and 2003, respectively. The primary reason for the \$0.5 million increase is due to new members premiums added during the year.

The Pool added seven new members and lost seven members during the 2005 calendar year. The net additional written premium was approximately \$727,000, generating earned premium of approximately \$504,000. New business quotes reflect a premium commensurate with experience and market pricing. Overall, Pool premium has increased slightly over the past two years. Although rates did not change for the year, member exposures (i.e. property values and payroll changes) increased slightly during the year. Member premiums averaged \$66,000 for 2005, a 13% increase over the past two years. No significant growth in Pool membership is anticipated in the near future.

# **Michigan Municipal League Liability and Property Pool**

## **Management's Discussion and Analysis (Unaudited)**

### **December 31, 2005 and 2004**

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#### ***Reinsurance Premiums Expense***

The Pool retains the first \$500,000 of each casualty loss and \$100,000 of each property loss. Reinsurance coverage is obtained to protect the Pool against losses in excess of the \$500,000 casualty and \$100,000 property retentions. Casualty reinsurers participated on various layers ranging from \$500,000 up to \$10,000,000. Participating casualty reinsurers in 2005 were Discover Reinsurance Company, Everest Reinsurance Company, Lloyds of London and National League of Cities Mutual Insurance Company. Each company has been a longtime reinsurance partner of the Pool. The reinsurance rates have not changed over the past three years.

#### ***Investment Income***

The Pool's investment portfolio consists of fixed income and equity securities. Investment income includes interest income, dividend income, realized and unrealized gains and losses. The Pool earned \$1.8 million in net investment income, a 14% decrease from 2004. For the year ending 2004, the Pool earned \$2.1 million in net investment income or a 42% decrease from the 2003 year.

Interest and dividend income has increased over the year. A 14.5% increase is reported in interest and dividend income for 2005 compared to 2004, and a 2% decrease in 2004 compared to 2003.

Over the past two years, the fixed income portfolio's experience of rising interest rates and lower bond prices gave rise to decreases in the fair market value of the principal component. These decreases coupled with the increase in the market values of the (REIT) resulted in unrealized losses reported for the 2005 and 2004 years, compared to an unrealized gain reported for the 2003 year. The Pool experienced a net decrease of \$1.1 million and \$.5 million in the fair market value of the portfolio during 2005 and 2004, respectively, compared to the net increase of \$.9 million reported for 2003.

The increases in interest and dividend income received over the course of 2005, along with the REIT returns more than offset the decreases in the investment fair market values. As a result, the portfolio produced a total return of 2.14% for the year.

The market value of the equities has increased over the past three years. During 2005, the equity portfolio's market value increased 7%, compared to the 6% increase and 1% decrease recorded in 2004 and 2003, respectively. The portfolio outperformed the S&P 500 as a result of positive security and industry selection. Good selection within the technology, energy and basic materials sectors coupled with slightly more exposure to the railroad, mining/metals, and restaurant industries benefited returns.

#### ***Losses and Loss Adjustment Expenses Incurred, Net of Reinsurance***

The Pool administers claims and pays for covered losses experienced by its members. All claims are processed and managed by a third party administrator. Attorneys, medical experts and other professionals are contracted on an as needed basis. Between the time a claim is reported and the time it is resolved, reserves are established for the estimated amount that will be paid at some future date to settle the loss. Reserves are also established for claims that have occurred, but are not yet known to the Pool and for reported claims that are expected to develop. This is known as IBNR reserves where losses are recognized in the current year for claims that will either not be reported until future periods or will increase in severity. This process allows a matching of current year premium with estimated total losses that will be incurred as the result of the member's current year coverage.

Incurred losses and loss adjustment expenses represent payments and changes in reserves for the year. Loss and loss adjustment expenses were \$10.2 million, \$9.0 million, and \$11.3 million respectively for the years 2005, 2004, and 2003.



# **Michigan Municipal League Liability and Property Pool**

## **Management's Discussion and Analysis (Unaudited)**

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Incurred claims are higher in 2005 compared to 2004 due to the payment of several large losses. The change in case reserves continued to be favorably impacted by numerous case law decisions affecting virtually all aspects of governmental immunity law over the past five to seven years. In particular, the courts have significantly restricted the ability of litigants to pursue claims involving police pursuits, jail suicides, sidewalk slip and falls and trespass nuisance claims against municipalities. As well, the legal standard with respect to claims against individual government employees has been severely restricted. Litigants must prove that the employee was both grossly negligent and the proximate cause of the injury or damages in order to successfully pursue a claim. Also, recent legislation and associated court decisions have limited the ability of plaintiffs to pursue sewer back up claims, which were previously a significant and growing source of exposure to the Pool. Finally, coverage restrictions initiated by the Pool have eliminated its exposure to catastrophic class action lawsuits arising out these claims.

#### ***Service Agent Fees***

The Pool is sponsored and administered by the Michigan Municipal League (MML) as a service for MML members and other public sector entities. The Pool has no employees. As such, the Pool contracts with the MML and a TPA for most administrative services.

Service agent fees represent the services fees paid pursuant to the MML and TPA contracts. The MML contract provides for risk management and financial management, at an annual fee of \$800,000. The TPA contract provides for marketing, underwriting, claims administration, and loss control risk services at an annual fee of \$3,109,600. In addition, the Pool's contract with MIG provides for a profit sharing payment equal to the lesser of 50% of the Pool's net underwriting gain or \$250,000.

Service agent fees also include bank charges and investment management fees totaling \$199,445 for the 2005 year, a 6% increase when compared to 2004. The bank and investment management fees reported for 2004 represented a 6% increase when compared to 2003.

#### ***Administrative Expenses***

In providing coverage and other member services, the Pool incurs administrative expenses and contract service fees. All of these expenses are budgeted and monitored on a monthly basis for compliance with budgetary limits. The Pool's administrative expenses include actuarial, audit, and legal fees; board meetings and travel; information and technology services, rental fees, etc.

Administrative expenses of \$0.2 million for 2005 represent a 13% increase compared to 2004, and a 2% decrease when compared to 2003. The increase in expenses during 2005 is primarily due to increases in actuarial fees, board meetings expenses, information and technology expenses, and appraisal fees.

#### ***Prudent Management and Governing Board Oversight***

The mission of the Pool is to be long term, stable and cost-effective. The Pool is managed by a nine member board of elected and appointed officials (the "Board"). The Board meets quarterly to review operations, and meets annually to conduct strategic planning and goal setting. The Pool is audited on a tri-annual basis by the Office of Financial and Insurance Services of the State of Michigan and files a Comprehensive Annual Financial Report.

#### ***Investment Risk***

A significant portion of the Pool's annual net income is derived from its investments. Investments are professionally and independently managed, with quarterly reports to the governing Board. Additionally, a professional investment advisory firm provides quarterly reports to the governing Board, which independently reviews the investment manager's performance.

**Michigan Municipal League Liability and Property Pool**  
**Management's Discussion and Analysis (Unaudited)**  
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The deposits and investments of the Pool are exposed to risks that have the potential to result in losses. As such, there is the risk that the Pool will not earn expected returns and that investments may lose value. The Pool may be exposed to common deposit and investment risks that relate to credit risk, concentration of risk, interest rate risk, and foreign currency risk. In accordance with, Governmental Accounting Standards Board No. 40, *Deposit and Investment Risk Disclosure*, disclosures are presented in Note 3 on page 16 of the audit financial statement to inform readers about deposit and investment risks that could affect the Pool's ability to provide services and meet its obligations.

***Risk of Inadequate Loss Reserves***

With quarterly reserve reviews by an independent actuary, and regular independent claim reviews, management considers the risk of using significant amounts of surplus to strengthen loss reserves to be low.

***Reinsurance Cost***

Reinsurance costs are subject to market fluctuations and losses worldwide over which the Pool has little control. The MCCA assessment, in particular, is one of these areas. However, given the Pool's loss experience, management expects Pool casualty reinsurance costs to remain relatively stable in the future.

***Future Projects***

It is anticipated that the Pool's TPA will change its membership service system from a software-based system to a web-based system in late 2006. Management does not anticipate that this transition will disrupt services or result in materially increased expenses.

For more information about the Michigan Municipal League Liability and Property Pool visit our website at [www.mml.org](http://www.mml.org).

**Michigan Municipal League Liability and Property Pool**  
**Balance Sheets**  
**December 31, 2005 and 2004**

	2005	2004
<b>Assets</b>		
Cash and cash equivalents	\$ 1,010,143	\$ 1,458,367
Investments, at market value		
Fixed maturities	58,320,057	57,002,108
Equity securities	6,676,912	6,248,305
Real estate investment trust	2,565,844	2,347,367
Accounts receivable	219	166,968
Premiums receivable	139,607	308,561
Claim deductibles receivable	517,673	498,008
Reinsurance receivables on paid claims	1,742,481	741,845
Accrued interest receivable	571,111	590,238
Investment in NLC Mutual Insurance Company, at cost	1,600,594	1,414,953
Prepaid expenses and other assets	558,302	529,196
Total assets	<u>\$ 73,702,943</u>	<u>\$ 71,305,916</u>
<b>Liabilities and Accumulated Members' Equity</b>		
Net reserve for losses and loss adjustment expenses	\$ 10,512,485	\$ 11,938,646
Net reserve for incurred but not reported losses and loss adjustment expenses	23,757,815	23,606,347
Unearned member premiums, net	9,711,835	9,723,638
Accounts payable	396,627	143,728
Total liabilities	<u>44,378,762</u>	<u>45,412,359</u>
Accumulated members' equity	<u>29,324,181</u>	<u>25,893,557</u>
Total liabilities and accumulated members' equity	<u>\$ 73,702,943</u>	<u>\$ 71,305,916</u>

The accompanying notes are an integral part of these financial statements.

**Michigan Municipal League Liability and Property Pool**  
**Statements of Revenues, Expenses and**  
**Changes in Accumulated Members' Equity**  
**Years Ended December 31, 2005 and 2004**

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	2005	2004
<b>Revenues</b>		
Member premiums earned	\$ 25,677,807	\$ 25,173,739
Less: Reinsurance premiums expense	(9,229,647)	(10,023,227)
Net member premiums earned	16,448,160	15,150,512
Investment income	2,899,956	2,532,362
Net increase (decrease) in the fair value of investments	(1,123,173)	(464,922)
Other (expenses) income	45,752	(15,182)
Total revenues	18,270,695	17,202,770
<b>Expenses</b>		
Losses and loss adjustment expenses, net of reinsurance	10,198,440	8,969,070
Service agents' fees	4,359,146	4,096,156
Administrative expenses	282,485	248,379
Total expenses	14,840,071	13,313,605
Excess of revenues over expenses	3,430,624	3,889,165
<b>Accumulated Members' Equity</b>		
Beginning of year	25,893,557	22,004,392
End of year	\$ 29,324,181	\$ 25,893,557

The accompanying notes are an integral part of these financial statements.

**Michigan Municipal League Liability and Property Pool**  
**Statements of Cash Flows**  
**Years Ended December 31, 2005 and 2004**

	2005	2004
<b>Cash flows from operating activities</b>		
Receipts from premiums	\$ 25,834,958	\$ 26,591,093
Receipts from other income	45,751	-
Receipts from reinsurers	3,699,678	665,914
Receipts from claim deductibles	957,173	2,067,359
Receipts from interest income	2,919,082	2,486,092
Rate stabilization receipts	-	62,660
Payments on claims	(16,149,649)	(12,706,709)
Payments to reinsures	(9,229,647)	(10,023,227)
Payments for expenses	(5,251,723)	(4,188,730)
Net cash provided by operating activities	<u>2,825,623</u>	<u>4,954,452</u>
<b>Cash flows from investing activities</b>		
Capital contribution in NLC	(185,641)	-
Purchases of securities	(37,275,269)	(34,681,936)
Sales and maturities of securities	<u>34,187,063</u>	<u>30,125,224</u>
Net cash used in investing activities	<u>(3,273,847)</u>	<u>(4,556,712)</u>
Net increase (decrease) in cash and cash equivalents	(448,224)	397,740
<b>Cash and cash equivalents</b>		
Beginning of year	<u>1,458,367</u>	<u>1,060,627</u>
End of year	<u>\$ 1,010,143</u>	<u>\$ 1,458,367</u>
<b>Reconciliation of excess of revenues over expenses to net cash provided by operating activities</b>		
Excess of revenues over expenses	\$ 3,430,624	\$ 3,889,165
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Net (increase) decrease in fair value of investments	1,123,173	464,922
Changes in assets and liabilities		
Accounts receivable	166,749	(84,334)
Premiums receivable	168,954	(5,103)
Claim deductibles receivable	(19,665)	294,025
Reinsurance receivables on paid claims	(1,000,636)	511,363
Accrued interest receivable	19,127	(46,270)
Deposit with reinsurer	-	62,660
Prepaid expenses and other assets	(29,106)	(47,107)
Net reserve for losses and loss adjustment expenses	(1,426,161)	(721,043)
Net reserve for incurred but not reported losses and loss adjustment expenses	151,468	(577,348)
Unearned member premiums, net	(11,803)	1,422,457
Amounts due to reinsurers	-	-
Accounts payable	<u>252,899</u>	<u>(208,935)</u>
Net cash provided by operating activities	<u>\$ 2,825,623</u>	<u>\$ 4,954,452</u>

The accompanying notes are an integral part of these financial statements.

# Michigan Municipal League Liability and Property Pool

## Notes to Financial Statements

### December 31, 2005 and 2004

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#### 1. Nature of the Pool

The Michigan Municipal League Liability and Property Pool (the "Pool") was established in 1982 under Public Act 138 of 1982, as amended by Public Act 36 of 1988, to develop and administer a group program of liability and property self insurance for Michigan municipalities. The objectives of the Pool are to establish and administer a municipal risk management service, to reduce the incidence of property and casualty losses occurring in the operation of local governmental functions, and to defend members of the Pool against stated liability or loss.

Any city or village which is a member of the Michigan Municipal League (the "League") or any municipality of any city or village or any governmental entity which holds service associate status with the League is eligible to participate in the Pool. There are 397 members in the Pool at December 31, 2005.

Member premiums are combined to provide each member with coverage for liability and property claims. Any funds not needed to pay claims and maintain prudent reserves will be available for distribution to the members or credit toward future member premiums, as determined by the Board (the "Board"). Alternatively, the Board of Directors may increase liability limits or offer additional services to the members.

#### 2. Summary of Significant Accounting Policies

During 2005, the Fund adopted Governmental Accounting Standards Board ("GASB") Statement No. 40, *Deposit and Investment Risk Disclosures*, which requires more comprehensive disclosures related to credit risk, interest rate risk and foreign currency risk. Implementation of this statement had no effect on the Pool's financial statements at December 31, 2005 and 2004.

##### **Basis of Accounting**

The Pool's accounting records are maintained on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America ("GAAP"). GAAP for public entity risk pools, such as the Pool, is dictated in part by GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* ("GASB 10").

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### **Cash Equivalents**

Cash equivalents consist of highly liquid investments which can be readily converted to cash and generally have a maturity of three months or less at date of purchase. Cash equivalents are stated at market value.

# Michigan Municipal League Liability and Property Pool

## Notes to Financial Statements

### December 31, 2005 and 2004

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#### **Investments**

Investments are stated at fair market value. In accordance with GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* ("GASB 31"), changes in market value are reported in the Statements of Revenues, Expenses and Changes in Accumulated Members' Equity.

#### **Investment in NLC Mutual Insurance Company**

NLC Mutual Insurance Company ("NLC Mutual") is a captive insurance company formed by risk pools associated with certain state municipal leagues, including the Pool. The Pool invested in NLC Mutual in 1987 as a prerequisite for membership. The Pool accounts for its investment in NLC Mutual on the cost basis as the Pool does not have the ability to exercise significant influence over NLC Mutual's operating and financial policies, and their investment is less than 20% of NLC Mutual. Under the cost method, the Pool will recognize income upon receipt of distributions from NLC Mutual. The amount of NLC Mutual's equity owned by the Pool, based upon the Pool's ownership percentage, was approximately \$2,100,000 at December 31, 2005 and 2004.

#### **Receivables**

Premiums receivable represent billed member premiums that are unpaid at year end. Claim deductibles receivable represents amounts due from members for their deductible portion of paid claims. Reinsurance receivables on paid claims represent amounts receivable under reinsurance agreements for paid claims. Accounts receivable primarily represents contingent commissions and return premiums due under reinsurance agreements. Receivables are carried at net realizable value and have been reduced for amounts that are not considered collectible.

#### **Prepaid Expenses and Other Assets**

Prepaid expenses and other assets are primarily comprised of a prepaid assessment to an unrelated entity and rent which was prepaid to the League for ten years.

#### **Net Reserve for Losses and Loss Adjustment Expenses**

The Pool establishes reserves based on estimates of (i) the ultimate cost of unsettled reported claims, including allocated and unallocated loss adjustment expenses ("LAE"), (ii) claims and LAE that have been incurred but not reported ("IBNR"), and (iii) future loss development.

Reserves are evaluated periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation is implicit in the calculation of estimated future claims costs because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the reserves.

Because actual claims will depend on such complex factors such as inflation, changes in doctrines of legal liability and damage awards, the computation of reserves is a process of estimation and forecasting. Although considerable variability is inherent in such estimates, management believes that the reserves for losses are adequate. Adjustments to reserves are charged or credited to expense in the periods in which they are made.

**Michigan Municipal League Liability and Property Pool**  
**Notes to Financial Statements**  
**December 31, 2005 and 2004**

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As claims are paid over a period of time, the Pool discounts its loss reserves to present value (as allowed by the State of Michigan Office of Financial and Insurance Services). The Pool utilized a 4% and 5% discount in 2005 and 2004, respectively.

**Recognition of Member Premiums**

Member premiums are recognized on a pro-rata basis over the term of the policy, which is generally one year. Unearned member premiums represent premiums received in the current year for policies remaining effective into the next fiscal year. Premiums are paid to the Pool at rates established in accordance with rating guidelines authorized by the Board of Directors pursuant to the recommendation of the Pool's actuarial firm.

**Reinsurance**

The Pool uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of claims from reinsurers, although it does not discharge the primary liability of the Pool as direct insurer of the risks reinsured. The portion of claims covered by reinsurance is not reported as a liability, nor is the related recoverable from the reinsurer recorded as an asset. Accordingly, reserves have been reduced by approximately \$515,000 and \$3,500,000 at December 31, 2005 and 2004, respectively, for amounts recoverable from reinsurers.

The Pool has obtained specific excess reinsurance and aggregate excess reinsurance for liability and property coverages, a portion of which is contracted with NLC Mutual. For liability coverage, the Pool has retained the initial \$500,000 of risk per occurrence. For property coverage, the Pool has retained the initial \$100,000 of risk per occurrence and has obtained aggregate reinsurance for annual losses in excess of approximately \$2,600,000.

Prepaid reinsurance premiums are netted against the related unearned member premiums. Prepaid premiums were approximately \$2,700,000 and \$2,600,000 at December 31, 2005 and 2004, respectively.

**Dividends to Members**

Dividends paid to members are reported in the accompanying financial statements as a component of excess of revenues over expenses in the Statements of Revenues, Expenses and Changes in Accumulated Members' Equity. This reporting treatment is in accordance with GASB 10, which states that dividends should be accrued as dividends expense using an estimate of the amount to be paid.

**Income Tax Status**

The Pool has received an Internal Revenue Service letter stating that it is tax-exempt under Internal Revenue Code Section 115.



**Michigan Municipal League Liability and Property Pool**  
**Notes to Financial Statements**  
**December 31, 2005 and 2004**

**3. Investments**

Investments at December 31 consist of the following:

	<b>2005</b>		<b>2004</b>	
	<b>Original Cost</b>	<b>Estimated Market Value</b>	<b>Original Cost</b>	<b>Estimated Market Value</b>
<b>Cash and cash equivalents</b>	<u>\$ 1,010,143</u>	<u>\$ 1,010,143</u>	<u>\$ 1,458,367</u>	<u>\$ 1,458,367</u>
<b>Fixed income securities</b>				
Government bonds	24,808,904	24,358,670	25,717,791	25,598,315
Corporate bonds	27,484,388	26,958,528	25,085,073	24,981,638
Mortgage-backed securities	<u>7,155,403</u>	<u>7,002,859</u>	<u>6,437,773</u>	<u>6,422,155</u>
	<u>59,448,695</u>	<u>58,320,057</u>	<u>57,240,637</u>	<u>57,002,108</u>
Equity securities	6,153,556	6,676,912	5,578,836	6,248,305
Real estate investment trust	<u>1,739,860</u>	<u>2,565,844</u>	<u>1,438,510</u>	<u>2,347,367</u>
<b>Total</b>	<u><b>\$ 67,342,111</b></u>	<u><b>\$ 67,562,813</b></u>	<u><b>\$ 64,257,983</b></u>	<u><b>\$ 65,597,780</b></u>

Net realized losses were \$4,078 (\$624,462 of realized losses, net of \$620,384 of realized gains) in 2005. Net realized gains were \$72,811 (\$561,659 of realized gains, net of \$488,848 of realized losses) in 2004. Realized gains and losses are calculated based on original cost.

Cash equivalents consist of highly liquid investments which can be readily converted to cash and generally have a maturity of three months or less at date of purchase. The Pool does not have a formal deposit policy other than its custodial agreement with a third party.

The Board has adopted an investment policy that allows for specific investments that conform to the requirements of Public Act 55, Michigan State Law for Public Funds. In general, the Public Act allows investments in obligations issued, assumed, or guaranteed by a solvent entity created or existing under the laws of the United States or of any state, district, or territory of the United States, which are not in default as to principal or interest.

The Pool's investment policy further prohibits any transactions involving short sales, margin purchases, and the purchase of derivative securities and the securities of the investment manager's corporation. The investment policy further restricts the purchase of mortgage backed securities, including collateralized mortgage obligations limited to 35% of the portfolio's fixed income securities market value. No unrated corporate securities are to be purchased. All fixed income securities, excluding U.S. Government securities are limited to 5% of the portfolio at market value per issuer.

The Pool's investment policy also allows for investments into equity type securities. Investment allocation to the equity portfolio is defined in terms of the Pool's reserves and surplus. The reserve component is based on the number of undiscounted reserves expected to be paid after a period of ten years. The surplus component is limited to 40% of the Pool's surplus, i.e. Accumulated Members Equity. The sum of the reserve and surplus components represent the maximum amount, at market value, of the Pool's equity investments.

**Michigan Municipal League Liability and Property Pool**  
**Notes to Financial Statements**  
**December 31, 2005 and 2004**

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The equity portfolio structure is comparable to the S&P 500. The industry and sector weightings are maintained at a maximum of +/- 2% relative to the weighting of the S&P 500 so that the majority of excess return is derived from security selection. As of December 31, 2005, the top ten holdings of the equity portfolio were as follows:

Exxon Mobil	4.8%	Apple Computer	2.3%
Citigroup	4.0%	Altria Group	2.2%
Bank of America	3.1%	Home Depot	2.2%
Johnson & Johnson	3.0%	McDonalds	2.2%
Burlington Northern	2.3%	Hewlett-Packard Co.	2.1%

A summary of estimated market value of fixed income investments by maturity date at December 31, 2005 follows:

Less than five years	\$ 44,376,295
Five years through ten years	6,842,651
Greater than ten years	7,101,110
Total bonds	<u>\$ 58,320,056</u>

The Pool's cash and fixed income investments are subject to several types of risk, which are examined in more detail below:

***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Pool has designated a third party for the deposit of funds and custodian of investments. Investments are held in a third party's nominee name, for the business of the Pool. The Pool does not have a formal deposit policy for custodial credit risk.

As of December 31, 2005, the total cash and cash equivalents was \$1,010,143. The Pool carried a zero balance within its checking account with outstanding checks totaling \$526,529 as of December 31, 2005. All un-invested cash balances are swept to zero at the end of each day and are invested into short term investment vehicles. Balances invested into the short-term investment vehicles are not insured or guaranteed by the Federal Deposit Insurance Corporation or by any other government agency or government-sponsored agency of the federal government or of any state. As such, the cash equivalent balance of \$1,536,801 is uninsured and uncollateralized, and therefore is exposed to custodial credit risk.

**Michigan Municipal League Liability and Property Pool**  
**Notes to Financial Statements**  
**December 31, 2005 and 2004**

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***Concentration of Credit Risk***

The Pool's fixed income investment portfolio consists of a variety of securities ranging from Treasury and Agency type securities, AAA to BBB-rated securities. The overall quality rating of the fixed income portfolio is equal to an AA-rated portfolio on a market value weighted basis. No unrated corporate securities are purchased. At December 31, 2005, the fixed income portfolio is allocated as follows:

	Estimated Market Value	Quality Weightings
Treasury	\$ 14,779,123	25 %
Agency	13,046,854	22 %
AAA	13,008,323	22 %
AA	5,260,581	9 %
A	8,445,261	14 %
BBB	3,779,914	6 %
Cash equivalents	1,536,801	2 %
Total	<u>\$ 59,856,857</u>	<u>100 %</u>

The objective of the Pool's investment policy is to generate a well diversified portfolio without any inappropriate credit concentrations. Other than direct obligations of the U.S. Government ("Treasures"), no individual issuer can exceed 5% of the portfolio per the investment policy guidelines. This restriction reduces the Pool's exposure to the risk of credit concentration. The top ten holdings of the Pool at December 31, 2005, excluding Treasures and securities issued by a U.S. Government Agency are as follows:

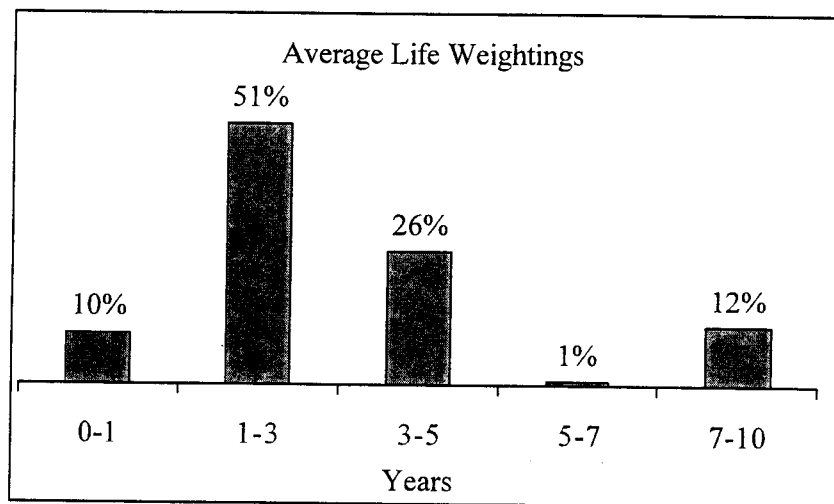
Ranking	Issuer	Estimated Market Value	Percent of Portfolio	Credit
1	WFS Financial Owner Trust	\$ 1,512,085	5.11 %	AAA
2	Harley-Davidson Motorcycle Trust	1,217,769	4.12 %	AA1
3	MBNA Master Credit Card Trust	1,119,301	3.78 %	AAA
4	Bank One Issuance Trust	1,059,231	3.58 %	AAA
5	General Electrical Capital Corp	1,006,108	3.40 %	AAA
6	Bank of America Corp.	996,289	3.37 %	AA3
7	Bear Stearns Adjustable Rate Mortgage Trust	980,422	3.31 %	AAA
8	Wal Mart Stores Inc.	968,976	3.28 %	AA2
9	Protective Life Secured Trust	968,096	3.27 %	AA3
10	Abbey National PLC	935,739	3.16 %	A1

**Michigan Municipal League Liability and Property Pool**  
**Notes to Financial Statements**  
**December 31, 2005 and 2004**

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***Interest Rate Risk***

The Pool's portfolio is structured so that duration – a measure of the price sensitivity of the portfolio to changes in interest rates – is set equal to that of a pre-determined benchmark. The benchmark is chosen on the basis of keeping the investment duration in line with the expected duration of claims in order to try and achieve an asset/liability match. The Pool's average life weightings of the portfolio are presented in the following chart.



The weighted average life of the Pool's fixed income investment portfolio at December 31, 2005 was approximately 2.5 years with an average duration of 2.2 years. These averages are relatively consistent with the Pool's claim payout patterns. In most cases, claims are reported and closed within three years.

The Pool's fixed income portfolio is further subject to the risk that changes in interest rates will adversely affect the return on investments and the fair market value of the investments. The following table is the result of a simulation model that estimated changes in the investment portfolio's expected investment returns, given hypothetical changes in interest rates.

**Michigan Municipal League Liability and Property Pool**  
**Notes to Financial Statements**  
**December 31, 2005 and 2004**

**MML Pool Sensitivity Analysis**

<i>(in thousands of dollars)</i>	<b>Percent of Impact on Portfolio Change in Interest Rates</b>			<b>Impact on Market Value Change in Interest Rates</b>		
	<b>Up</b>	<b>Up</b>	<b>Up</b>	<b>Up</b>	<b>Up</b>	<b>Up</b>
	<b>1.00%</b>	<b>2.00%</b>	<b>3.00%</b>	<b>1.00%</b>	<b>2.00%</b>	<b>3.00%</b>
Immediate price change due to change in interest rates	(2.19)%	(4.35)%	(6.46)%	\$ (1,310)	\$ (2,602)	\$ (3,864)
One-year forward miscellaneous price change effect	(0.04)%	(0.04)%	(0.04)%	(24)	(24)	(24)
One-year forward expected portfolio income return	<u>5.22 %</u>	<u>5.35 %</u>	<u>5.48 %</u>	<u>3,122</u>	<u>3,200</u>	<u>3,277</u>
Total expected return, one-year forward	<u>2.99 %</u>	<u>0.96 %</u>	<u>(1.02)%</u>	<u>\$ 1,788</u>	<u>\$ 574</u>	<u>\$ (611)</u>
	<b>Percent of Impact on Portfolio Change in Interest Rates</b>			<b>Impact on Market Value Change in Interest Rates</b>		
	<b>Down</b>	<b>Down</b>	<b>No Rate</b>	<b>Down</b>	<b>Down</b>	<b>No Rate</b>
	<b>1.00%</b>	<b>2.00%</b>	<b>3.00%</b>	<b>1.00%</b>	<b>2.00%</b>	<b>3.00%</b>
Immediate price change due to change in interest rates	2.18 %	4.30 %	0.00 %	\$ 1,304	\$ 2,572	\$ -
One-year forward miscellaneous price change effect	(0.04)%	(0.04)%	(0.04)%	(24)	(24)	(24)
One-year forward expected portfolio income return	<u>4.97 %</u>	<u>4.83 %</u>	<u>5.10 %</u>	<u>2,972</u>	<u>2,889</u>	<u>3,050</u>
Total expected return, one-year forward	<u>7.11 %</u>	<u>9.09 %</u>	<u>5.06 %</u>	<u>\$ 4,252</u>	<u>\$ 5,437</u>	<u>\$ 3,026</u>

The above table shows that as interest rates rise, total expected returns, one year forward decreases and market values decrease. As interest rates decrease, total expected returns, one year forward increases and market values increase. The Pool's total investment return for 2005 was 2.14%. If there are no changes in interest rates during 2006, the total expected return, one year forward would be at 5.06%.

***Foreign Currency Risk***

The Pool's portfolio has no non-U.S. dollar investments, although such investments are not specifically prohibited by the investment policy. As such, the Pool is not subject to any foreign currency risk.

**Michigan Municipal League Liability and Property Pool**  
**Notes to Financial Statements**  
**December 31, 2005 and 2004**

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**4. Net Reserves for Losses and Loss Adjustment Expenses**

As discussed in Note 2, the Pool establishes reserves for both reported and unreported insured events; reserves include estimates for future payments of losses and related LAE. A summary of changes in net losses and LAE for the Pool for the years ended December 31, 2005 and 2004 follows. Amounts are net of the effects of reinsurance:

	2005	2004
<b>Net losses and LAE (undiscounted) at the beginning of year</b>	<u>\$ 38,468,887</u>	<u>\$ 40,014,807</u>
<b>Incurred losses and LAE, net of reinsurance</b>		
Provision for insured events of the current year	15,798,344	16,057,885
Provision for insured events of prior years	<u>(5,599,904)</u>	<u>(7,088,815)</u>
Total incurred losses and LAE, net of reinsurance	<u>10,198,440</u>	<u>8,969,070</u>
<b>Payments, net of reinsurance</b>		
Related to insured events of the current year	(2,262,845)	(2,498,067)
Related to insured events of prior years	<u>(9,885,281)</u>	<u>(8,016,923)</u>
Total payments, net of reinsurance	<u>(12,148,126)</u>	<u>(10,514,990)</u>
Net losses and LAE (undiscounted) at the end of year	36,519,201	38,468,887
<b>Discount of net losses and LAE</b>	<u>(2,248,901)</u>	<u>(2,923,894)</u>
<b>Net discounted losses and LAE at the end of year</b>	<u>\$ 34,270,300</u>	<u>\$ 35,544,993</u>

During 2005 and 2004, there was favorable development in incurred loss and loss adjustment expenses related to prior accident years. This favorable development primarily relates to the favorable resolution of certain litigated claims.

**5. Accumulated Members' Equity**

At the discretion of the Board of Directors, Accumulated Members' Equity may be returned to members in the form of dividends. No dividends were distributed to members during 2005 and 2004.

**6. Commitment**

The League provides certain administrative services to the Pool including administration, risk management, data processing, staff travel, printing and supplies. Under the agreement, which automatically renews for a one year term on June 30 each year, the Pool will pay the League a fee equal to a specified percentage of earned premiums. Both parties have the option to pursue changes and or cancellation of the agreement on June 30 of each year. Minimum and maximum fees to be paid to the League for a July - June fiscal year are \$800,000 and \$850,000, respectively. Service agent fees expensed by the Pool approximated \$800,000 for 2005 and 2004, respectively.

In July 1996, the Pool entered into a new lease agreement with the League subject to which the Pool prepaid \$450,000 of rent (\$383,020 present value at 3.0% discount rate) representing rent payments required through June 30, 2006. This prepayment was capitalized and will be amortized on a straight-line basis through June 30, 2006.

**Additional Information**

### **Report of Independent Auditors on Additional Information**

To the Board of Directors and Members of the  
Michigan Municipal League Liability and Property Pool

The report on our audit of the basic financial statements of the Michigan Municipal League Liability and Property Pool as of December 31, 2005 and for the year then ended appears on page 1 of this document. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information listed on pages 24-25 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

April 7, 2006



**Michigan Municipal League Liability and Property Pool**  
**Notes to Ten-Year Claims Development Information**  
**December 31, 2005**

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The table on the following page illustrates how the Pool's earned member premiums (net of reinsurance premium expenses) and investment income compare to related costs of losses (net of losses assumed by the reinsurers) and other expenses of the Pool for the ten years ended December 31, 2005.

The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's member premiums earned and investment income, net of reinsurance premium expenses. Investment income (including net realized gains and losses) is recorded in the fiscal year in which the income is earned and is not allocated to the various policy years. Beginning in 1997 investment income reflects changes in fair value of investments in accordance with GASB 31.
- (2) This line shows each fiscal year's other operating costs, including overhead and LAE not allocable to individual claims. Such costs are recorded in the fiscal year in which the expenses are incurred and are not allocated to the various policy years.
- (3) This line shows the Pool's incurred losses and allocated LAE (both paid and unpaid) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (this is called a policy year), net of reinsurance recoverable.
- (4) This section shows the cumulative amounts paid as of the end of the successive fiscal years for each policy year, net of reinsurance received and receivable.
- (5) This section shows how each policy year's incurred losses and allocated LAE (net of reinsurance) increased or decreased as of the end of successive fiscal years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, emergence of new claims not previously known and provision for losses incurred but not yet reported. The Pool's reinsurance is carried on an April 1 to March 31 fiscal year. Certain allocations and adjustments have been made to present data on a calendar year basis.
- (6) This line compares the latest reestimated incurred loss and LAE amount to the amount originally established (line 3) and shows whether the most recent amount is greater or less than the original estimate. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred losses and LAE currently recognized in less mature policy years.

See Report of Independent Auditors on Additional Information.

# **Michigan Municipal League Liability and Property Pool** **Ten-Year Claims Development Information** **December 31, 2005**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
(1) Net earned premiums and investment income	\$ 21,892	\$ 23,008	\$ 22,424	\$ 19,429	\$ 21,191	\$ 19,062	\$ 17,443	\$ 19,551	\$ 17,203	\$ 18,271
(2) Unallocated operating costs	5,055	5,136	5,009	4,476	5,416	4,634	4,358	4,625	4,345	4,642
(3) Estimated incurred losses and LAE, end of policy year	16,556	17,510	17,427	19,393	21,045	18,300	15,767	16,252	16,058	15,798
(4) Paid (cumulative) as of										
End of policy year	3,014	3,065	2,774	3,002	3,842	2,754	2,438	2,167	2,498	2,263
One year later	4,856	6,253	5,316	5,739	7,162	4,987	4,243	4,321	4,881	
Two years later	8,304	8,777	8,851	8,124	10,055	8,027	5,881	6,608		
Three years later	12,425	11,930	11,394	9,639	12,156	10,416	7,081			
Four years later	13,887	13,003	12,659	10,770	12,954	11,027				
Five years later	14,455	13,351	13,212	11,186	13,125					
Six years later	14,987	13,756	13,488	11,594						
Seven years later	15,197	13,721	13,524							
Eight years later	15,197	13,752								
Nine years later	15,200									
(5) Reestimated incurred losses and LAE										
End of policy year	16,556	17,510	17,427	19,393	21,045	18,300	15,767	16,252	16,058	15,798
One year later	16,064	16,344	17,918	18,752	21,479	16,426	14,151	14,057	14,979	
Two years later	15,193	15,266	16,859	15,747	17,542	15,182	11,977	11,582		
Three years later	16,459	15,289	15,539	12,861	16,512	14,149	10,400			
Four years later	16,203	14,803	14,906	12,382	15,133	12,693				
Five years later	15,596	14,526	14,324	12,365	14,320					
Six years later	15,519	14,124	13,823	12,023						
Seven years later	15,422	14,057	13,655							
Eight years later	15,247	13,931								
Nine years later	15,220									
(6) Increase (decrease) in estimated incurred loss and LAE from end of policy year	(1,336)	(3,579)	(3,772)	(7,370)	(6,725)	(5,607)	(5,367)	(4,670)	(1,079)	

See Report of Independent Auditors on Additional Information.

**MICHIGIAN MUNICIPAL LIABILITY & PROPERTY POOL  
INVESTMENT COMPOSITION  
AS OF DECEMBER 31, 2005**

<b>TYPE</b>	<b>COST</b>	<b>MARKET VALUE</b>	<b>AVERAGE YIELD</b>
Cash Equivalents	\$1,536,801	\$1,536,801	3.54%
U. S. Treasury Bonds/Notes	\$15,069,492	\$14,779,123	3.60%
U.S. Agency Bonds	\$16,415,840	\$16,108,781	5.17%
Corporate Bonds	\$27,963,363	\$27,432,152	4.75%
Equities	\$7,893,417	\$9,242,756	6.50%
Total Portfolio	\$68,878,913	\$69,099,614	4.29%

**MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
INVESTMENT SCHEDULE  
AS OF DECEMBER 31, 2005**

DESCRIPTION	INTEREST RATE	FACE VALUE	ACTUAL COST	MARKET VALUE
<b>SHORT TERM INVESTMENT</b>				
VICTORY US GOVT OBLIGATIONS FUND		\$1,536,801.46	\$1,536,801.46	\$1,536,801.46
<b>TREASURY INFLATION INDEX BOND</b>				
TREASURY INFLATION INDEX BOND	3.625%	\$739,716.00	\$792,543.32	\$759,595.87
TREASURY INFLATION INDEX BOND	3.875%	607,240.00	613,126.38	638,455.90
		\$1,346,956.00	\$1,405,669.70	\$1,398,051.77
<b>TREASURIES</b>				
TREASURY NOTE	6.000%	\$1,100,000.00	\$1,245,347.65	\$1,159,468.75
TREASURY NOTE	3.000%	2,300,000.00	2,314,480.47	2,234,953.01
TREASURY NOTE	2.000%	550,000.00	547,636.72	545,445.29
TREASURY NOTE	2.625%	1,100,000.00	1,078,460.94	1,056,687.39
TREASURY NOTE	2.375%	500,000.00	503,710.94	493,828.10
TREASURY NOTE	3.125%	700,000.00	694,285.15	677,250.00
TREASURY NOTE	2.625%	600,000.00	604,828.12	590,718.72
TREASURY NOTE	2.625%	310,000.00	299,200.40	293,918.75
TREASURY NOTE	2.750%	500,000.00	499,414.06	487,031.25
TREASURY NOTE	3.375%	700,000.00	701,558.59	676,156.25
TREASURY NOTE	2.500%	500,000.00	499,238.28	492,265.60
TREASURY NOTE	3.625%	1,000,000.00	985,175.78	972,812.40
TREASURY NOTE	4.000%	2,270,000.00	2,228,114.06	2,237,723.32
TREASURY NOTE	3.500%	500,000.00	499,296.88	493,671.85
TREASURY NOTE	4.250%	475,000.00	463,464.85	469,062.50
TREASURY NOTE	4.375%	500,000.00	499,609.38	500,078.10
		\$13,605,000.00	\$13,663,822.27	\$13,381,071.28
<b>U.S. AGENCIES</b>				
FEDERAL HOME LOAN BANK	5.980%	\$500,000.00	\$517,548.00	\$514,488.75
FEDERAL HOME LOAN BANK	1.850%	500,000.00	500,000.00	497,247.60
FEDERAL HOME LOAN BANK	2.375%	250,000.00	250,054.75	246,711.93
FEDERAL HOME LOAN BANK	3.625%	750,000.00	727,530.75	729,040.80
FEDERAL HOME LOAN BANK	3.375%	50,000.00	50,238.50	48,915.73
FEDERAL HOME LOAN MORTGAGE	5.750%	500,000.00	532,451.00	511,129.20
FEDERAL HOME LOAN MORTGAGE	2.125%	200,000.00	201,025.00	198,709.78
FEDERAL HOME LOAN MORTGAGE	3.250%	650,000.00	638,307.15	622,812.97
FEDERAL NATIONAL MORTGAGE ACCOC.	5.250%	650,000.00	691,197.65	659,849.71
FEDERAL NATIONAL MORTGAGE ACCOC.	5.500%	675,000.00	716,732.63	697,303.28
FEDERAL NATIONAL MORTGAGE ACCOC.	4.300%	325,000.00	325,000.00	317,719.25
FEDERAL NATIONAL MORTGAGE ACCOC.	4.375%	1,000,000.00	1,000,000.00	993,373.80
FEDERAL HOME LOAN MORTGAGE	5.250%	280,000.00	297,239.60	280,086.35
FEDERAL HOME LOAN MORTGAGE	4.300%	500,000.00	500,000.00	494,647.70
FEDERAL HOME LOAN MORTGAGE	6.625%	1,180,000.00	1,252,736.38	1,254,677.13
FEDERAL HOME LOAN MORTGAGE	5.500%	100,000.00	102,837.10	103,531.47
FEDERAL HOME LOAN MORTGAGE	4.000%	1,000,000.00	999,220.00	989,197.30
FEDERAL HOME LOAN MORTGAGE	6.000%	350,000.00	385,325.85	369,924.49
FEDERAL HOME LOAN MORTGAGE	5.000%	50,000.00	51,967.85	50,179.32
FEDERAL HOME LOAN MORTGAGE	5.000%	1,000,000.00	997,812.50	994,059.30
		\$10,510,000.00	\$10,737,224.71	\$10,573,605.86
<b>MORTGAGE PASS THROUGHS</b>				
FHLMC Gold Pool #C44330	6.500%	\$52,045.87	\$44,319.61	\$53,545.44
FHLMC Gold Pool #420164	6.116%	41,913.58	41,993.34	42,687.60
FNMA POOL #303902	7.000%	81,176.58	95,524.51	83,977.17
FNMA POOL #062689	6.072%	52,292.33	48,786.56	52,941.38
FNMA CMO 2005-63D	5.500%	238,108.32	238,108.32	237,420.31
GNMA POOL #603681	5.500%	63,283.71	68,259.79	63,829.53
GNMA POOL #781008	6.000%	201,541.00	182,398.56	207,750.98
		\$730,361.39	\$719,390.69	\$742,152.41

**MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
INVESTMENT SCHEDULE  
AS OF DECEMBER 31, 2005**

DESCRIPTION	INTEREST RATE	FACE VALUE	ACTUAL COST	MARKET VALUE
<b>COLLATERALIZED MORTGAGE OBLIGATIONS</b>				
CHASE MTG FIN CORP 03-S5	5.500%	\$536,122.83	\$550,537.19	\$526,027.64
FHLMC 2687-PM	4.500%	627,000.00	630,624.84	610,871.49
FHLMC 2865-PJ	4.000%	841,254.75	855,473.50	826,686.57
FN,A 1990-35E	9.500%	4,695.51	7,426.88	5,097.75
FNMA 1993-107 E	6.500%	211,137.89	198,762.89	213,536.33
BANC OF AMER COM MTG 00-1	7.109%	221,177.59	268,490.45	226,074.46
BEAR STEARNS ADJ RATE MTG TRUST	4.750%	1,000,000.00	978,437.50	980,421.50
COMMERCIAL MTG PASS THRU	3.600%	250,000.00	251,240.74	240,175.75
DLJ MTG ACCEP CORP	6.930%	140,224.13	154,211.84	142,420.04
FHLMC 2780 LC	5.000%	500,000.00	508,593.75	495,175.15
MERRILL LYNCH MTG 1998-C3	5.880%	520,000.00	555,425.00	526,536.40
		\$4,851,612.70	\$4,959,224.58	\$4,793,023.08
<b>CORPORATE BONDS</b>				
AMERICAN STANDARD INC	7.375%	\$390,000.00	\$429,280.80	\$407,082.08
ABBEE NATIONAL PLC	6.700%	900,000.00	805,194.00	935,739.00
BAN K OF AMERICA CORP	7.800%	900,000.00	1,017,189.00	996,289.38
BRITISH TELECOMM PLC	8.375%	500,000.00	611,685.00	570,203.50
CSX CORP NOTE	2.750%	150,000.00	149,619.00	149,706.86
COUNTRYWIDE HOME LOANS	4.250%	300,000.00	302,772.00	295,477.80
COUNTRYWIDE HOME LOANS	6.250%	310,000.00	326,278.10	319,876.54
DAIMLERCHRYSLER NA HLDG CORP	4.700%	450,000.00	450,000.00	449,509.19
DEVELOPERS DIVERSIFIED REALTY CO	3.875%	500,000.00	487,160.00	479,806.00
DEVON FINANCING CORP ULC	6.875%	200,000.00	218,750.00	218,238.88
DIAGEO CAPITAL PLC NOTE	3.500%	500,000.00	496,305.00	487,450.35
FIRST DATA CORP	4.500%	500,000.00	499,715.00	481,205.95
GENERAL ELECTRIC CAPITAL	5.375%	1,000,000.00	1,054,040.00	1,006,107.80
GOLDMAN SACHS GROUP INC	6.875%	570,000.00	653,875.50	611,542.11
INTERNATIONAL LEASE FIN CORP	4.375%	400,000.00	388,876.00	390,644.44
NIKE INC	5.500%	185,000.00	191,487.95	185,750.90
PEMEX FINANCIAL LTD	9.690%	375,000.00	467,500.00	406,415.40
POPULAR NORTH AMERICAN INC	3.875%	550,000.00	541,266.00	536,403.95
PROTECTIVE LIFE SECURED TRUST	3.700%	1,000,000.00	990,185.00	968,095.60
RIO TINTO FIN USA LTD	5.750%	500,000.00	526,360.00	502,503.80
RIO TINTO FIN USA LTD	2.625%	250,000.00	239,610.00	235,179.50
SLM CORP	3.625%	760,000.00	757,712.40	738,955.52
SOVEREIGN BANK	4.375%	500,000.00	506,280.00	489,427.35
TOYOTA MOTOR CREDIT NOTE	5.500%	500,000.00	537,465.00	508,700.90
US BANK NA	2.850%	350,000.00	349,968.50	343,472.61
US BANK NA	2.870%	400,000.00	398,256.00	391,885.48
UNION TEXAS PETE BP AMOCO PLC	7.000%	750,000.00	838,987.50	783,358.43
USX CORP MARATHON OIL CORP	6.850%	500,000.00	545,725.00	519,595.60
NATIONAL CITY BANK	4.000%	500,000.00	499,320.00	493,711.90
WELLS FARGO & CO	3.125%	650,000.00	648,979.50	616,859.36
WAL MART STORES INC	4.125%	1,000,000.00	986,240.00	968,976.30
WISCONSIN ELEC PWR CO	3.500%	450,000.00	445,302.00	435,783.87
		\$16,790,000.00	\$17,361,384.25	\$16,923,956.35
<b>ASSET BACKED SECURITIES</b>				
AIG CREDIT PREMIUM FIN MASTER	1.610%	\$500,000.00	\$500,000.00	\$499,930.55
BANK OF AMER MTG SEC	4.021%	474,288.08	478,975.58	473,623.79
BANK ONE ISSUANCE TRUST	3.450%	1,100,000.00	1,057,289.07	1,059,230.81
CPL TRANSITION FUNDING LLC	5.010%	325,019.25	346,816.13	325,487.15
CAPITAL ONE MULTI-ASSET EXEC TR	5.640%	510,000.00	512,823.50	530,143.73
CENTEX HOME EQUITY LN TR	3.350%	665,000.00	664,893.13	660,919.56
DISTRIBUTION FINL SERVICES	3.868%	590,000.00	590,184.38	590,012.33
FEDERAL HOME LOAN MORTGAGE	4.780%	500,000.00	513,125.00	493,677.90
HARLEY-DAVIDSON MOTORCYCLE TRUST	2.390%	400,072.41	388,912.35	395,436.01
HARLEY-DAVIDSON MOTORCYCLE TRUST	2.280%	451,828.88	439,808.49	443,692.26
HARLEY-DAVIDSON MOTORCYCLE TRUST	2.310%	383,255.01	378,094.87	378,640.77
JOHN DEERE OWNER TRUST	3.020%	155,000.00	153,377.34	148,355.51
M&I AUTO LOAN TRUST	3.450%	475,000.00	467,355.47	461,107.20
MNBA MASTER CARD MASTER TR II	7.800%	1,000,000.00	1,117,500.00	1,119,301.10
NAVISTAR FINANCIAL CORP	4.950%	125,850.90	129,827.71	125,403.66
PUBLIC SERVICE NEW HAMPSHIRE FDG LLC	5.730%	585,165.73	632,435.32	593,298.66
VOLKSWAGEN AUTO LOAN ENHANCED TR	2.940%	500,000.00	502,167.97	487,575.65
WFS FINANCIAL OWNER TRUST	3.020%	194,019.05	193,999.96	191,059.35
WFS FINANCIAL OWNER TRUST	3.130%	343,435.88	343,357.03	336,181.28
WFS FINANCIAL OWNER TRUST	2.410%	1,000,000.00	980,156.25	984,844.50
WACHOVIA ASSET SECURITIZATION	3.890%	209,238.80	210,879.43	210,273.90
		\$10,487,173.99	\$10,601,978.98	\$10,508,195.67
<b>TOTAL BONDS</b>		\$58,510,949.54	\$59,448,695.18	\$58,320,056.42

**MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
INVESTMENT SCHEDULE  
AS OF DECEMBER 31, 2005**

DESCRIPTION	INTEREST RATE	FACE VALUE	ACTUAL COST	MARKET VALUE
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COMMON STOCK DESCRIPTION	SHARES	ACTUAL COST	MARKET VALUE
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<b>MATERIALS</b>				
NUCOR CORP	1,400	\$81,987.78	\$93,408.00	
PHLEPS DODGE CORP	800	89,916.80	115,096.00	
		\$171,904.58	\$208,504.00	
<b>INDUSTRIALS</b>				
BOEING CO	1,300	\$86,519.88	\$91,312.00	
BURLINGTON NORHTEN SANTA FE	2,200	122,210.42	155,804.00	
EQUIFAX INC	100	3,425.40	3,802.00	
GENERAL ELECTRIC CO	4,000	15,081.67	140,200.00	
LOCKHEET MARTIN CORPORATION	700	44,022.02	44,541.00	
MONSTER WORLDWIDE INC	200	7,539.24	8,164.00	
NORFOLK SOUTHERN CORP	500	18,382.02	22,415.00	
SOUTHWEST AIRLINES	900	14,335.71	14,787.00	
TYCO INTERNATIONAL LTD	1,800	51,091.74	51,948.00	
		\$362,608.10	\$532,973.00	
<b>CONSUMER DISCRETIONARY</b>				
AUTONATION INC	200	\$4,094.11	\$4,346.00	
AUTOZONE INC	100	9,949.00	9,175.00	
BLOCK H & R INC	100	2,332.40	2,455.00	
CCE SPINCO INC	175	1,916.08	2,292.50	
CHICO'S FAS INC	800	33,723.40	35,144.00	
CIRCUIT CITY STORES	1,400	24,389.15	31,626.00	
CLEAR CHANNEL COMMUNICATIONS	1,400	44,461.07	44,030.00	
DARDEN RESTAURANTS INC	400	13,413.00	15,552.00	
EXPEDIA INC	100	2,472.01	2,396.00	
FORD MOTOR COMPANY	2,600	22,738.16	20,072.00	
GOODYEAR TIRE & RUBBER CO	3,200	55,330.96	55,616.00	
HOME DEPOT INC	3,600	148,086.01	145,728.00	
J.C. PENNEY CO	500	26,154.90	27,800.00	
MARRIOTT INTERNATIONAL CL A	600	38,900.56	40,182.00	
MCDONALD'S CORPORATION	4,400	147,118.46	148,368.00	
NORDSTROM INC	100	3,720.88	3,740.00	
NVR INC	40	34,600.40	28,080.00	
OMNICOM GROUP	200	16,459.88	17,026.00	
THE WALT DISNEY CO	1,000	25,800.30	23,970.00	
VIACOM INC CL B	1,100	37,500.53	35,860.00	
YUM! BRANDS INC	300	15,389.01	14,064.00	
		\$708,550.27	\$707,522.50	
<b>CONSUMER STAPLES</b>				
ALTRIA GROUP INC	2,000	\$134,608.48	\$149,440.00	
ARCHER-DANIELS-MIDLAND CO	2,500	52,688.00	61,650.00	
COCA-COLA COMPANY	3,500	148,094.20	141,085.00	
GENERAL MILLS INC	100	4,757.00	4,932.00	
HERSHEY CO	100	6,168.00	5,525.00	
KIMBERLY-CLARK CORP	100	5,826.23	5,965.00	
KROGER CO	500	9,812.02	9,440.00	
PEPSI BOTTLING GROUP INC	200	5,894.00	5,722.00	
PEPSICO INC	1,100	56,122.12	64,988.00	
PROCTER & GAMBLE CO	300	16,888.20	17,364.00	
		\$440,858.25	\$466,111.00	
<b>ENERGY</b>				
BURLINGTON RESOURCES INC	1,400	\$94,362.94	\$120,680.00	
CHEVRON CORP	1,000	62,365.88	56,770.00	
DEVON ENGERY CORPORATION	700	43,573.90	43,778.00	
EXXON MOBILE CORPORATION	5,600	335,727.10	314,552.00	
OCCIDENTAL PETROLEUM CORP	1,100	90,892.34	87,868.00	
SUNOCO INC	400	27,978.46	31,352.00	
TRANSOCEAN INC	700	25,104.27	48,783.00	
VALERO ENERGY GROUP	1,000	51,172.49	51,600.00	
		\$731,177.38	\$755,383.00	

**MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
INVESTMENT SCHEDULE  
AS OF DECEMBER 31, 2005**

DESCRIPTION	INTEREST RATE	FACE VALUE	ACTUAL COST	MARKET VALUE
<b>FINANCE</b>				
ALLSTATE CORP		1,600	\$92,537.76	\$86,512.00
AMERICAN INTERNATIONAL GROUP		100	6,646.23	6,823.00
ARCHSTONE-SMITH TRUST		900	35,713.11	37,701.00
AVALONBAY COMMUNITIES INC		100	8,704.23	8,925.00
BANK OF AMERICA CORP		4,500	201,885.36	207,675.00
BEAR STEARNS COMPANIES INC		100	10,227.20	11,553.00
CIT GROUP INC		300	14,056.41	15,534.00
CITIGROUP INC		5,400	253,582.28	262,062.00
COMERICA INC		400	23,904.00	22,704.00
COUNTRYWIDE FINANCIAL CORP		500	17,487.65	17,095.00
FANNIE MAE		600	30,358.40	29,286.00
FREDDIE MAC		400	24,717.00	26,140.00
GOLDMAN SACHS GROUP INC		1,000	91,063.83	127,710.00
KEYCORP		500	16,789.00	16,465.00
KIMCO REALTY CORP		400	12,250.74	12,832.00
LEHMAN BROTHERS HOLDINGS INC		700	78,552.64	89,719.00
LOEWS CORP		100	8,484.00	9,485.00
METLIFE INC		100	4,993.71	4,900.00
MGIC INVESTMENT CORP		100	6,263.23	6,582.00
PUBLIC STORAGE INC REIT		500	33,370.01	33,860.00
RADIAN GROUP INC		100	5,384.23	5,859.00
SIMON PROPERTY GROUO INC REIT		300	22,107.40	22,989.00
US BANCORP		4,500	133,978.95	134,505.00
WACHOVIA CORP		200	9,932.00	10,572.00
WASHINGTON MUTUAL INC		1,200	50,227.52	52,200.00
WELLS FARGO & COMPANY		2,200	133,100.63	138,226.00
			<b>\$1,326,317.52</b>	<b>\$1,397,914.00</b>
<b>HEALTH CARE</b>				
ABBOTT LABORATORIES		700	\$34,607.38	\$27,601.00
AETNA US HEALTHCARE INC - NEW		300	23,631.96	28,293.00
AMGEN INC		900	59,357.97	70,974.00
APPLERA CORP		600	12,606.00	15,936.00
BECTON DICKINSON & CO		900	48,990.24	54,072.00
CIGNA CORP		1,200	135,735.10	134,040.00
EXPRESS SCRIPTS INC - COMMON		800	66,555.74	67,040.00
GENETECH INC		300	13,908.24	27,750.00
GILEAD SCIENCES INC		2,300	98,321.50	120,911.00
HCA INC		1,200	60,064.56	60,600.00
HUMANA INC		500	22,780.00	27,165.00
JOHNSON & JOHNSON		3,200	167,341.48	192,320.00
KING PHARMACEUTICALS INC		2,700	39,607.43	45,684.00
LINCARE HOLDINGS INC		100	4,377.00	4,191.00
MCKESSON CORP		400	18,886.87	20,636.00
MERCK & CO INC		1,900	58,961.52	60,439.00
PERKINELMER INC		200	4,080.00	4,712.00
PFIZER INC		3,200	88,623.19	74,624.00
WATSON PHARMACEUTICALS INC		600	21,264.84	19,506.00
WYETH		300	10,790.64	13,821.00
			<b>\$990,491.66</b>	<b>\$1,070,315.00</b>
<b>TELECOMMUNICATIONS SERVICES</b>				
BELLSOUTH CORP		1,200	\$32,754.47	\$32,520.00
CROWN CASTLE INTL CORP		1,400	37,054.71	37,674.00
QWEST COMMUNICATIONS CORP		3,400	15,158.52	19,210.00
VERIZON COMMUNICATIONS		2,500	82,616.50	75,300.00
			<b>\$167,584.20</b>	<b>\$164,704.00</b>
<b>UTILITIES</b>				
AES CORPORATION		2,000	\$31,146.73	\$31,660.00
CENTERPOINT ENERGY INC		500	6,800.80	6,425.00
DUKE ENERGY CORP		400	11,228.00	10,980.00
EDISON INTERNATIONAL		200	8,478.63	8,722.00
PG&E CORP		200	7,480.80	7,424.00
TXU CORPORATION		1,400	67,192.80	70,266.00
XCEL ENERGY INC		300	5,612.81	5,538.00
			<b>\$137,940.57</b>	<b>\$141,015.00</b>
<b>INFORMATION TECHNOLOGY</b>				
AGILENT TECHNOLOGIES INC		1,200	\$41,544.12	\$39,948.00

**MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
INVESTMENT SCHEDULE  
AS OF DECEMBER 31, 2005**

<b>DESCRIPTION</b>	<b>INTEREST RATE</b>	<b>FACE VALUE</b>	<b>ACTUAL COST</b>	<b>MARKET VALUE</b>
APPLE COMPUTER INC		2,100	94,840.01	150,969.00
BMC SOFTWARE INC		2,800	56,164.22	57,372.00
BROADCOM CORP CL A		500	22,982.00	23,575.00
CISCO SYSTEMS INC		1,000	9,404.85	17,120.00
COMPUTER SCIENCES CORP		300	13,315.88	15,192.00
ELECTRONIC DATA SYSTEMS CORP		800	17,853.73	19,232.00
EMC CORP/MASS		700	7,430.50	9,534.00
FREESCALE SEMICONDUCTOR - B		1,100	27,350.88	27,687.00
GOOGLE INC CL A		200	56,593.00	82,972.00
HEWLETT-PACKARD CO		5,000	134,163.43	143,150.00
INTEL CORP		2,200	57,058.98	54,912.00
INTL BUSINESS MACHINES CORP		1,700	155,064.47	139,740.00
LSI LOGIC CORP		6,500	58,187.95	52,000.00
MCAFFEE INC		1,000	29,318.80	27,130.00
MICROSOFT CORP		1,800	50,103.74	47,070.00
MOTOROLA INC		3,700	82,144.58	83,583.00
NATIONAL SEMICONDUCTOR CORP		100	2,357.23	2,598.00
NCR CORPORATION		300	10,713.30	10,182.00
NVIDIA CORP		2,900	84,519.31	106,024.00
SANMINA-SCI CORP		2,100	9,303.21	8,946.00
SCIENTIFIC-ATLANTIC INC		100	3,574.50	4,307.00
TELLABS INC		900	8,598.00	9,810.00
TEXAS INSTRUMENTS INC		3,100	83,537.19	99,417.00
			<b>\$1,116,123.88</b>	<b>\$1,232,470.00</b>
<b>TOTAL COMMON STOCKS</b>			<b>\$6,153,556.41</b>	<b>\$6,676,911.50</b>
<b>MUTUAL FUNDS</b>				
MUNDER REAL ESTATE EQUITY		118,844	\$1,739,860.30	\$2,565,844.42
<b>TOTAL EQUITIES</b>			<b>\$7,893,416.71</b>	<b>\$9,242,755.92</b>
<b>TOTAL CASH EQUIVALENTS, BONDS &amp; EQUITIES</b>			<b>\$68,878,913</b>	<b>\$69,099,614</b>



**MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
REINSURANCE RECEIVABLES  
FOR PERIOD ENDING DECEMBER 31, 2005**

YEAR	SPECIFIC	AGGREGATE	TOTAL	RECEIVED TO DATE	TOTAL RECEIVABLE
1983	12,584	420,134	432,718	432,718	0
1984	1,349,960	370,704	1,720,664	1,720,664	0
1985	139,685	0	139,685	139,685	0
1986	199,015	0	199,015	199,015	0
1987	451,609	30,000	481,609	481,609	0
1988	1,220,942	0	1,220,942	1,220,942	0
1989	164,552	0	164,552	164,552	0
1990	3,358,360	0	3,358,360	3,358,360	0
1991	2,610,358	0	2,610,358	2,610,358	0
1992	214,389	0	214,389	214,389	0
1993	1,070,322	0	1,070,322	1,070,322	0
1994	8,695,594	116,268	8,811,862	7,366,204	1,445,658
1995	2,025,732	0	2,244,073	2,243,510	563
1996	12,139,606	500,084	12,666,494	12,639,690	26,804
1997	1,168,975	142,691	1,311,666	1,311,666	0
1998	10,186,445	0	10,186,445	10,178,824	7,620
1999	1,295,963	0	1,295,963	1,061,992	233,971
2000	4,497,716	0	4,497,716	4,494,890	2,826
2001	278,212	0	278,212	278,212	0
2002	1,482,545	0	1,482,545	1,482,545	0
2003	928,535	0	928,535	928,535	0
2004	817,999	0	817,999	792,960	25,039
2005	0	0	0	0	0
<b>TOTALS</b>	<b>54,309,098</b>	<b>1,579,880</b>	<b>56,134,123</b>	<b>54,391,641</b>	<b>1,742,481</b>

**MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
REINSURANCE EXHIBIT  
AS OF DECEMBER 31, 2005**

**CEDED REINSURANCE FOR 2005**

Column 1 Reinsurer's Federal Employer I.D. Number	Column 2 Name of Reinsurer	Column 3 Location	Column 4 Reinsurance Recoverable on Paid Losses	Column 5 Reinsurance Recoverable on Unpaid Losses	Column 6 Unearned Premiums (Estimated)
#22-2005057	Everest Reinsurance Company	Newark, New Jersey	208,177	28,353	4,602,203
#52-1479893	CNA International Reinsurance Company, Ltd.	London, England	304,364	37,555	2,474,019
#13-4924125	NLC Mutual Insurance Company	Washington, D.C.	181,430	15,835	3,330,407
#06-1273933	American Reinsurance Company	Princeton, New Jersey	0	100	0
#06-1240885	Discover Reinsurance Company	Farmington, Connecticut	979,428	226,839	7,387,312
#38-2227794	Hartford Steam Boiler	Hartford, Connecticut	23,185	0	0
	Michigan Catastrophic Claims Assoc.	Livonia, Michigan	45,896	186,284	539,150
	<b>Total Reinsurance Recoverable on Paid Losses</b>		<b>1,742,481</b>		

**AGING OF REINSURANCE RECOVERABLE ON PAID LOSSES**

Column 1 Name of Reinsurer	Column 2 Location	Column 3 0-90 Days	Column 4 Days Overdue 91-180 Days	Column 5 181+ Days
American Reinsurance Company	Princeton, New Jersey	0		
Discover Reinsurance Company	Farmington, Connecticut	979,428		
Everest Reinsurance Company	Newark, New Jersey	208,177		
CNA International Reinsurance Company, Ltd.	London, England	304,364		
Hartford Steam Boiler		23,185		
NLC Mutual Insurance Company	Washington, D.C.	181,430		
Michigan Catastrophic Claims Assoc.	Livonia, Michigan	45,896		

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
Michigan Insurance Bureau  
Reinsurance Exhibit - UNEARNED REINSURANCE PREMIUM  
Source: Year End Reinsurance Worksheet A/C #201  
12/31/2005

REINSURER	YEAR	LAYER	PREMIUM ACCURAL	REINSURANCE RATE	REINSURANCE UNEARNED PREMIUMS	PER REINSURER
USF&G & DISCOVER RE	03-04	500 XS 500	0.00	9.25%	0	
	04-05	"	6,909.44	9.25%	74,697	
	05-06	"	214,862.89	9.25%	2,322,842	
	03-04	1 XS 1	0.00	16.50%	0	
	04-05	"	11,283.45	16.50%	68,385	
	05-06	"	368,011.78	16.50%	2,230,374	
	03-04	3 XS 2	0.00	17.00%	0	
	04-05	"	9,460.74	17.00%	55,651	
	05-06	"	329,594.34	17.00%	1,938,790	
	03-04	5 XS 5	0.00	21.00%	0	
	04-05	"	3,221.78	21.00%	15,342	
	05-06	"	143,058.45	21.00%	681,231	
	03-04	5 XS 10	0.00	4.40%	0	
	04-05	"	0.00	4.40%	0	
	Total 05-06	"	0.00	4.40%	0	7,387,312
EVEREST RE	03-04	500 XS 500	0.00	9.25%	0	
	04-05	"	3,838.58	9.25%	41,498	
	05-06	"	134,289.29	9.25%	1,451,776	
	03-04	1 XS 1	0.00	16.50%	0	
	04-05	"	6,268.58	16.50%	37,991	
	05-06	"	230,007.36	16.50%	1,393,984	
	03-04	3 XS 2	0.00	17.00%	0	
	04-05	"	5,255.97	17.00%	30,917	
	05-06	"	205,996.46	17.00%	1,211,744	
	03-04	5 XS 5	0.00	21.00%	0	
	04-05	"	1,789.88	21.00%	8,523	
	Total 05-06	"	89,411.53	21.00%	425,769	4,602,203
CNA RE (JK BUCKENHAM)	03-04	500 XS 500	0.00	9.25%	0	
	04-05	"	1,535.43	9.25%	16,599	
	05-06	"	38,076.71	9.25%	411,640	
	03-04	1 XS 1	0.00	16.50%	0	
	04-05	"	2,507.43	16.50%	15,197	
	05-06	"	101,779.42	16.50%	616,845	
	03-04	3 XS 2	0.00	17.00%	0	
	04-05	"	2,102.39	17.00%	12,367	
	05-06	"	159,822.88	17.00%	940,135	
	03-04	5 XS 5	0.00	21.00%	0	
	04-05	"	715.95	21.00%	3,409	
	Total 05-06	"	96,143.78	21.00%	457,828	2,474,019
NLC MUTUAL	03-04	500 XS 500	0.00	9.25%	0	
	04-05	"	3,070.86	9.25%	33,198	
	05-06	"	50,768.94	9.25%	548,853	
	03-04	1 XS 1	0.00	16.50%	0	
	04-05	"	5,014.87	16.50%	30,393	
	05-06	"	135,705.89	16.50%	822,460	
	03-04	3 XS 2	0.00	17.00%	0	
	04-05	"	4,204.77	17.00%	24,734	
	05-06	"	213,097.17	17.00%	1,253,513	
	03-04	5 XS 5	0.00	21.00%	0	
	04-05	"	1,431.90	21.00%	6,819	
	Total 05-06	"	128,191.73	21.00%	610,437	3,330,407
GRAND TOTAL			2,707,430.64			
				GAND TOTAL	17,793,941.62	

Instructions:

The purpose of this worksheet is to determine the unearned reinsurance premium for inclusion in the CAFR schedule entitled "CEDED REINSURANCE", Col 6 Unearned Premiums. This report calculates the reinsurance premium by taking the reinsurance accrual, dividing it by the reinsurance premium rate which results in unearned premium.

**MICHIGAN MUNICIPAL LEAGUE LIABILITY & PROPERTY POOL**  
**CLAIMS RESERVE ANALYSIS SCHEDULE**  
**AS OF DECEMBER 31, 2005**

**PROPERTY & LIABILITY**  
**CLAIMS RESERVE SUMMARY**  
*(net of reinsurance)*  
*(000's)*

ACCIDENT YEAR	TOTAL CLAIM PAYMENTS	TOTAL REPORTED RESERVES	TOTAL IBNR RESERVES	TOTAL CLAIM RESERVES	TOTAL INCURRED RESERVES	CLAIM RESERVE DISCOUNT	DISCOUNTED CLAIM RESERVES
1983	\$413	\$0	\$0	\$0	\$413	\$0	\$0
1984	1,898	0	0	0	1,898	0	0
1985	4,646	0	12	12	4,658	0	12
1986	6,922	0	0	0	6,922	0	0
1987	9,738	0	0	0	9,738	0	0
1988	7,152	0	0	0	7,152	0	0
1989	10,683	0	0	0	10,683	0	0
1990	9,828	0	5	5	9,833	0	5
1991	7,160	0	0	0	7,160	0	0
1992	8,540	0	9	9	8,549	0	9
1993	11,150	0	12	12	11,162	0	12
1994	18,997	103	0	103	19,100	0	103
1995	15,528	0	0	0	15,528	0	0
1996	15,200	20	0	20	15,220	2	18
1997	13,752	171	8	179	13,931	12	167
1998	13,524	0	131	131	13,655	9	122
1999	11,594	141	289	430	12,024	32	398
2000	13,125	458	737	1,195	14,320	55	1,140
2001	11,027	727	938	1,665	12,692	97	1,568
2002	7,081	1,878	1,441	3,319	10,400	176	3,143
2003	6,608	1,990	2,984	4,974	11,582	253	4,721
2004	4,880	3,725	6,373	10,098	14,978	591	9,507
2005	2,263	2,055	11,480	13,535	15,798	1,021	12,514
<b>TOTALS</b>	<b>\$211,709</b>	<b>\$11,268</b>	<b>\$24,419</b>	<b>\$35,687</b>	<b>\$247,396</b>	<b>\$2,248</b>	<b>\$33,438</b>

<b>UNALLOCATED LOSS EXPENSE</b>	<b>\$812</b>
<b>TOTAL DISCOUNTED CLAIM RESERVES</b>	<b>\$34,250</b>

**MICHIGAN MUNICIPAL LEAGUE LIABILITY & PROPERTY POOL  
CLAIMS RESERVE ANALYSIS SCHEDULE  
AS OF DECEMBER 31, 2005**

**ALL LIABILITY LINES COMBINED**  
(net of reinsurance)  
(000's)

ACCIDENT YEAR	CLAIM PAYMENTS	REPORTED RESERVES	IBNR RESERVES	TOTAL CLAIM RESERVES	TOTAL INCURRED RESERVES
1983	\$395	\$0	\$0	\$0	\$395
1984	1,708	0	0	0	1,708
1985	4,481	0	12	12	4,493
1986	6,733	0	0	0	6,733
1987	9,329	0	0	0	9,329
1988	7,000	0	0	0	7,000
1989	10,187	0	0	0	10,187
1990	9,285	0	5	5	9,290
1991	6,434	0	0	0	6,434
1992	7,884	0	9	9	7,893
1993	10,359	0	12	12	10,371
1994	17,872	103	0	103	17,975
1995	14,561	0	0	0	14,561
1996	14,079	20	0	20	14,099
1997	12,413	171	8	179	12,592
1998	12,349	0	131	131	12,480
1999	10,312	141	289	430	10,742
2000	11,446	458	737	1,195	12,641
2001	9,674	727	938	1,665	11,339
2002	5,408	1,878	1,441	3,319	8,727
2003	5,550	1,990	2,984	4,974	10,524
2004	3,547	3,725	6,373	10,098	13,645
2005	1,597	1,674	11,312	12,986	14,583
<b>TOTALS</b>	<b>\$192,603</b>	<b>\$10,887</b>	<b>\$24,251</b>	<b>\$35,138</b>	<b>\$227,741</b>

**MICHIGAN MUNICIPAL LEAGUE LIABILITY & PROPERTY POOL  
CLAIMS RESERVE ANALYSIS SCHEDULE  
AS OF DECEMBER 31, 2005**

**PROPERTY  
(net of reinsurance)  
(000's)**

ACCIDENT YEAR	CLAIM PAYMENTS	REPORTED RESERVES	IBNR RESERVES	TOTAL CLAIM RESERVES	TOTAL INCURRED RESERVES
1983	\$18	\$0	\$0	\$0	\$18
1984	190	0	0	0	190
1985	165	0	0	0	165
1986	189	0	0	0	189
1987	409	0	0	0	409
1988	152	0	0	0	152
1989	496	0	0	0	496
1990	543	0	0	0	543
1991	726	0	0	0	726
1992	656	0	0	0	656
1993	791	0	0	0	791
1994	1,125	0	0	0	1,125
1995	967	0	0	0	967
1996	1,121	0	0	0	1,121
1997	1,339	0	0	0	1,339
1998	1,175	0	0	0	1,175
1999	1,282	0	0	0	1,282
2000	1,679	0	0	0	1,679
2001	1,353	0	0	0	1,353
2002	1,673	0	0	0	1,673
2003	1,058	0	0	0	1,058
2004	1,333	0	0	0	1,333
2005	666	381	168	549	1,215
<b>TOTALS</b>	<b>\$19,106</b>	<b>\$381</b>	<b>\$168</b>	<b>\$549</b>	<b>\$19,655</b>

**Michigan Municipal League Liability and Property Pool**  
**Ten Year Claim Development Information (000's)**  
**As of December 31, 2005**

**Total All Lines Combined**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
(3) Estimated incurred losses and LAE, end of year	16,556	17,510	17,427	19,393	21,045	18,300	15,767	16,252	16,058	15,798
(4) Paid (cumulative) as of:										
End of year	3,014	3,065	2,774	3,002	3,842	2,754	2,438	2,167	2,498	2,263
One year later	4,856	6,253	5,316	5,975	7,162	4,987	4,243	4,358	4,881	
Two years later	8,304	8,777	8,851	8,124	10,055	8,027	5,900	6,608		
Three years later	12,425	11,930	11,394	9,639	12,156	10,522	7,081			
Four years later	13,887	13,003	12,659	10,770	12,836	11,027				
Five years later	14,455	13,351	13,212	11,067	13,125					
Six years later	14,987	13,756	13,430	11,594						
Seven years later	15,198	13,577	13,524							
Eight years later	15,197	13,752								
Nine years later	15,200									
(5) Reestimated incurred losses and ALAE as of:										
End of year	16,556	17,510	17,427	19,393	21,045	18,300	15,767	16,252	16,058	15,798
One year later	16,064	16,344	17,918	18,752	21,479	16,426	14,151	14,057	14,979	
Two years later	15,193	15,266	16,859	15,747	17,542	15,182	11,977	11,582		
Three years later	16,459	15,289	15,529	12,861	16,512	14,149	10,400			
Four years later	16,203	14,803	14,906	12,382	15,133	12,693				
Five years later	15,596	14,526	14,324	12,365	14,320					
Six years later	15,519	14,124	13,823	12,023						
Seven years later	15,422	14,057	13,655							
Eight years later	15,247	13,931								
Nine years later	15,220									
(6) Increase (decrease) in estimated incurred losses and ALAE from end of year	(1,336)	(3,579)	(3,772)	(7,370)	(6,725)	(5,607)	(5,367)	(4,670)	(1,079)	----

**Michigan Municipal League Liability and Property Pool**  
**Ten Year Claim Development Information (000's)**  
**As of December 31, 2005**

**Deductible Offsets**

	1996	1997	1998	1999	2000	2001	2002	2003	2004
(3) Estimated deductibles, end of year	2,830	1,799	1,261	1,331	927	(401)	676	803	(92)
(4) Paid (cumulative) as of:									
End of year	498	225	143	132	78	2	73	88	494
One year later	1,460	789	784	479	378	227	361	420	252
Two years later	2,069	1,010	874	1,070	662	520	679	885	
Three years later	2,370	1,054	1,197	1,341	832	844	907		
Four years later	2,590	1,140	1,260	1,570	1,051	1,026			
Five years later	1,931	1,198	1,166	1,534	1,079				
Six years later	2,382	1,170	1,257	1,547					
Seven years later	2,352	1,206	1,257						
Eight years later	2,391	1,187							
Nine years later	2,391								
(5) Reestimated incurred deductibles as of:									
End of year	2,830	1,799	1,261	1,331	927	(401)	676	803	(92)
One year later	2,632	1,448	1,685	1,339	(516)	792	848	361	(121)
Two years later	2,744	1,328	1,211	1,425	924	788	113	738	
Three years later	2,689	1,328	1,296	1,468	915	801	615		
Four years later	1,522	1,169	1,294	1,663	756	1,000			
Five years later	1,944	1,198	1,188	1,644	810				
Six years later	2,382	1,170	1,357	1,643					
Seven years later	2,353	1,206	1,255						
Eight years later	2,391	1,186							
Nine years later	2,391								
(6) Increase (decrease) in estimated deductibles from end of year	(439)	(613)	(6)	312	(117)	1,401	(61)	(65)	(29)



**Michigan Municipal League Liability and Property Pool**  
**Ten Year Claim Development Information (000's)**  
**As of December 31, 2005**

	Property									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
(3) Estimated incurred losses and LAE, end of year	1,525	1,650	1,411	1,349	2,176	1,121	1,865	1,456	1,608	1,216
(4) Paid (cumulative) as of:										
End of year	1,231	1,077	941	812	1,072	803	1,161	808	1,478	667
One year later	1,469	1,515	1,127	1,347	1,738	1,201	1,623	1,088	1,408	
Two years later	1,546	1,363	1,028	1,404	1,785	1,353	1,630	1,056		
Three years later	1,546	1,442	1,016	1,396	1,748	1,353	1,761			
Four years later	1,509	1,443	1,127	1,544	1,642	1,353				
Five years later	1,509	1,482	1,179	1,283	1,754					
Six years later	1,547	1,483	1,068	1,401						
Seven years later	1,547	1,339	1,122							
Eight years later	1,547	1,463								
Nine years later	1,547									
(5) Reestimated incurred losses and ALAE as of:										
End of year	1,525	1,650	1,411	1,349	2,176	1,121	1,865	1,456	1,608	1,216
One year later	1,470	1,620	1,276	1,468	1,813	1,285	1,714	1,107	1,408	
Two years later	1,563	1,454	1,035	1,438	1,816	1,353	1,671	1,056		
Three years later	1,553	1,444	1,018	1,397	1,750	1,247	1,761			
Four years later	1,510	1,443	1,129	1,544	1,738	1,353				
Five years later	1,509	1,482	1,179	1,402	1,754					
Six years later	1,547	1,483	1,179	1,401						
Seven years later	1,547	1,483	1,122							
Eight years later	1,547	1,463								
Nine years later	1,547									
(6) Increase (decrease) in estimated incurred losses and ALAE from end of year	22	(187)	(289)	52	(422)	232	(104)	(400)	(200)	---

**Michigan Municipal League Liability and Property Pool**  
**Ten Year Claim Development Information (000's)**  
**As of December 31, 2005**

**Auto Physical Damage**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
(3) Estimated incurred losses and LAE, end of year	1,300	1,350	1,277	1,402	1,329	1,218	1,037	1,052	961	1,185
(4) Paid (cumulative) as of:										
End of year	1,164	1,151	1,105	1,132	1,143	980	805	844	796	849
One year later	1,277	1,172	1,199	1,342	1,287	1,133	958	936	876	
Two years later	1,274	1,169	1,198	1,340	1,286	1,124	958	950		
Three years later	1,273	1,169	1,193	1,340	1,284	1,120	958			
Four years later	1,273	1,169	1,193	1,340	1,284	1,118				
Five years later	1,273	1,169	1,193	1,340	1,284					
Six years later	1,273	1,169	1,193	1,340						
Seven years later	1,273	1,169	1,193							
Eight years later	1,273	1,169								
Nine years later	1,273									
(5) Reestimated incurred losses and ALAE as of:										
End of year	1,300	1,350	1,277	1,402	1,329	1,218	1,037	1,052	961	1,185
One year later	1,278	1,172	1,200	1,348	1,288	1,136	959	940	876	
Two years later	1,274	1,169	1,198	1,340	1,287	1,124	959	950		
Three years later	1,273	1,169	1,193	1,340	1,284	1,124	958			
Four years later	1,273	1,169	1,193	1,340	1,284	1,118				
Five years later	1,273	1,169	1,193	1,340						
Six years later	1,273	1,169	1,193							
Seven years later	1,273	1,169								
Eight years later	1,273									
Nine years later	1,273									
(6) Increase (decrease) in estimated incurred losses and ALAE from end of year	(27)	(181)	(84)	(62)	(45)	(100)	(79)	(102)	(85)	-

**Michigan Municipal League Liability and Property Pool**  
**Ten Year Claim Development Information (000's)**  
**As of December 31, 2005**

**Auto Liability**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
(3) Estimated incurred losses and LAE, end of year	2,152	2,500	2,000	2,600	2,771	1,496	1,390	1,661	1,559	1,492
(4) Paid (cumulative) as of:										
End of year	210	211	170	445	199	125	129	175	151	173
One year later	604	1,510	248	602	556	255	198	847	415	
Two years later	1,241	1,804	515	713	1,442	406	380	905		
Three years later	2,576	2,040	539	726	1,814	1,247	475			
Four years later	2,592	2,450	589	726	1,924	1,324				
Five years later	2,593	2,456	632	726	1,924					
Six years later	2,594	2,437	632	726						
Seven years later	2,603	2,437	632							
Eight years later	2,603	2,437								
Nine years later	2,603									
(5) Reestimated incurred losses and ALAE as of:										
End of year	2,152	2,500	2,000	2,600	2,771	1,496	1,390	1,661	1,559	1,492
One year later	2,700	2,500	1,500	1,917	2,198	1,139	967	1,745	1,487	
Two years later	2,600	2,500	924	1,504	2,119	1,181	681	1,320		
Three years later	2,700	2,638	674	815	2,087	1,432	527			
Four years later	2,655	2,529	686	758	1,984	1,365				
Five years later	2,634	2,456	632	726	1,953					
Six years later	2,619	2,437	632							
Seven years later	2,609	2,437	632							
Eight years later	2,603									
Nine years later	2,603									
(6) Increase (decrease) in estimated incurred losses and ALAE from end of year	451	(63)	(1,368)	(1,874)	(818)	(131)	(863)	(341)	(72)	---

**Michigan Municipal League Liability and Property Pool**  
**Ten Year Claim Development Information (000's)**  
**As of December 31, 2005**

	<b>Police Liability</b>									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
(3) Estimated incurred losses and LAE, end of year	3,350	3,000	3,500	3,784	2,788	2,661	2,783	2,805	3,016	3,554
(4) Paid (cumulative) as of:										
End of year	101	27	39	18	36	41	57	28	40	4
One year later	645	234	925	274	384	317	276	200	504	
Two years later	1,964	567	1,596	708	1,055	1,329	952	1,575		
Three years later	2,698	1,389	2,658	1,171	1,874	2,032	1,459			
Four years later	3,072	1,561	3,229	1,396	2,381	2,434				
Five years later	2,519	1,649	3,212	1,519	2,489					
Six years later	3,165	1,713	3,232	1,527						
Seven years later	3,310	1,713	3,232							
Eight years later	3,310	1,713								
Nine years later	3,310									
(5) Reestimated incurred losses and ALAE as of:										
End of year	3,350	3,000	3,500	3,784	2,788	2,661	2,783	2,805	3,016	3,554
One year later	4,000	2,300	4,506	3,664	3,002	2,589	2,831	3,144	3,751	
Two years later	3,600	1,978	4,145	2,574	2,805	2,836	2,594	3,455		
Three years later	3,796	1,920	3,845	1,727	3,134	3,406	2,747			
Four years later	3,588	1,861	3,769	1,705	2,940	3,140				
Five years later	2,833	1,773	3,445	1,646	2,647					
Six years later	3,340	1,713	3,323	1,620						
Seven years later	3,310	1,713	3,232							
Eight years later	3,310	1,713								
Nine years later	3,310									
(6) Increase (decrease) in estimated incurred losses and ALAE from end of year	(40)	(1,287)	(268)	(2,164)	(141)	479	(36)	650	735	---

**Michigan Municipal League Liability and Property Pool**  
**Ten Year Claim Development Information (000's)**  
**As of December 31, 2005**

**Public Officials Liability**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
(3) Estimated incurred losses and LAE, end of year	4,447	4,409	4,000	4,728	4,890	5,060	3,971	4,444	4,846	4,939
(4) Paid (cumulative) as of:										
End of year	135	146	115	161	194	235	82	121	147	190
One year later	667	815	970	1,051	1,050	1,032	697	821	1,152	
Two years later	1,339	1,595	1,962	2,261	1,754	1,917	1,550	1,552		
Three years later	1,844	1,848	2,387	2,707	2,311	2,717	2,134			
Four years later	2,107	2,129	2,556	3,448	2,548	2,858				
Five years later	2,319	2,202	2,644	3,624	2,565					
Six years later	2,345	2,518	2,737	4,011						
Seven years later	2,360	2,518	2,743							
Eight years later	2,367	2,549								
Nine years later	2,370									
(5) Reestimated incurred losses and ALAE as of:										
End of year	4,447	4,409	4,000	4,728	4,890	5,060	3,971	4,444	4,846	4,939
One year later	3,048	3,800	4,021	4,759	4,443	4,562	3,773	3,723	4,416	
Two years later	2,700	3,088	3,751	4,424	3,721	4,183	3,488	3,094		
Three years later	2,726	2,612	3,490	4,200	3,373	3,866	3,248			
Four years later	2,578	2,843	3,182	4,288	3,166	3,485				
Five years later	2,598	3,000	3,092	4,555	2,882					
Six years later	2,583	2,800	2,963	4,297						
Seven years later	2,516	2,854	2,873							
Eight years later	2,417	2,728								
Nine years later	2,390									
(6) Increase (decrease) in estimated incurred losses and ALAE from end of year	(2,057)	(1,681)	(1,127)	(431)	(2,008)	(1,575)	(723)	(1,350)	(430)	---

**Michigan Municipal League Liability and Property Pool**  
**Ten Year Claim Development Information (000's)**  
**As of December 31, 2005**

	<b>General Liability</b>									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
(3) Estimated incurred losses and LAE, end of year	6,612	6,400	6,500	6,861	8,771	6,343	5,397	5,637	3,976	3,501
(4) Paid (cumulative) as of:										
End of year	671	678	547	566	1,276	572	277	279	379	451
One year later	1,654	1,796	1,631	1,838	2,525	1,276	852	886	776	
Two years later	3,009	3,289	3,426	2,768	3,395	2,418	1,109	1,455		
Three years later	4,858	5,096	4,798	3,640	3,957	2,897	1,201			
Four years later	5,924	5,391	5,226	3,886	4,108	2,966				
Five years later	6,173	5,591	5,518	4,108	4,188					
Six years later	6,445	5,606	5,824	4,135						
Seven years later	6,457	5,607	5,858							
Eight years later	6,488									
Nine years later	6,488									
(5) Reestimated incurred losses and ALAE as of:										
End of year	6,612	6,400	6,500	6,861	8,771	6,343	5,397	5,637	3,976	3,501
One year later	6,200	6,400	7,100	7,171	8,219	6,507	4,755	3,759	2,920	
Two years later	6,200	6,405	7,119	5,892	6,718	5,208	2,697	2,445		
Three years later	7,100	6,671	6,605	4,850	5,799	3,725	1,774			
Four years later	7,241	6,127	6,241	4,410	4,777	3,041				
Five years later	6,693	5,844	5,971	4,340	4,609					
Six years later	6,539	5,692	5,890	4,282						
Seven years later	6,520	5,607	5,858							
Eight years later	6,488									
Nine years later	6,488									
(6) Increase (decrease) in estimated incurred losses and ALAE from end of year	(124)	(793)	(642)	(2,579)	(4,162)	(3,302)	(3,623)	(3,192)	(1,056)	---

**MICHIGAN MUNICIPAL LEAGUE LIABILITY & PROPERTY POOL  
COMPARATIVE STATEMENT OF REVENUES AND EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004, 2003, 2002, 2001, 2000, 1999, 1998, & 1997**

	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Revenues:</b>									
Earned Premiums	\$25,677,807	\$25,173,739	\$24,294,519	\$22,507,378	\$21,833,792	\$21,987,818	\$23,727,953	\$23,918,241	\$23,846,829
Less - Reinsurance Premiums	9,229,647	10,023,227	8,277,194	7,885,956	5,903,144	5,066,269	6,822,300	6,086,728	5,923,775
Net Earned Premiums	\$16,448,160	\$15,150,511	\$16,017,325	\$14,621,422	\$15,930,648	\$16,921,549	\$16,905,653	\$17,831,513	\$17,923,054
Investment Income (Note 2)	2,899,956	2,532,362	2,534,613	2,679,917	3,151,521	3,236,827	3,431,669	2,735,248	3,289,415
Net increase in the fair value of investments (Note 3)	(1,123,173)	(464,922)	961,640	(192,492)	(26,572)	1,026,226	(929,699)	1,844,310	1,795,078
Other	45,752	-15,182	37,719	334,124	6,104	6,179	20,953	12,585	
<b>Total Revenues</b>	\$18,270,695	\$17,202,770	\$19,551,297	\$17,442,971	\$19,061,701	\$21,190,781	\$19,428,576	\$22,423,656	\$23,007,547
<b>Expenses:</b>									
Claims Expense Incurred	\$10,198,440	\$8,969,070	\$11,342,983	\$5,305,276	\$14,107,304	\$17,672,286	\$18,921,323	\$17,275,431	\$14,361,502
Service Fees	4,359,146	4,096,156	4,335,717	4,353,660	4,414,602	4,735,260	4,393,870	4,483,715	4,710,989
Administrative Expenses	282,485	248,379	289,233	324,234	318,458	480,536	405,403	444,356	335,314
Distribution to Participants	0	0	0	0	0	0	0	0	0
<b>Total Expenses</b>	\$14,840,071	\$13,313,605	\$15,967,933	\$9,983,170	\$18,840,364	\$22,888,082	\$23,720,596	\$22,203,502	\$19,407,805
Change in Accounting Principle (Note 1)									
<b>Excess of Revenues over Expenses</b>	\$3,430,624	\$3,889,165	\$3,583,364	\$7,459,802	\$221,337	(\$1,697,301)	(\$4,292,020)	\$220,154	\$3,599,742

Note 1 - Cumulative effect on prior years (to December 31, 1987) of changing to a different reserve valuation method.

Note 2 - The Pool's investment in NLC Mutual Insurance Company is accounted for under the equity method.

Note 3 - The Pool adopted GASB 31 in 1998 which requires unrealized investment gains & losses to be reported as a component of income. Accordingly, 1997 revenue and expenses have also been restated.

**MICHIGAN MUNICIPAL LEAGUE LIABILITY & PROPERTY POOL  
COMPARATIVE STATEMENT OF REVENUES AND EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995, 1994, 1993, 1992, 1991, 1990, 1989, 1988, 1987, 1986, 1985, & 1984**

	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984
<b>Revenues:</b>													
Earned Premiums	\$24,457,774	\$24,765,824	\$23,728,005	\$22,047,344	\$19,878,280	\$17,855,465	\$17,108,822	\$16,371,502	\$15,960,142	\$14,840,270	\$13,457,325	\$4,857,474	\$1,694,711
Less - Reinsurance Premiums	6,001,787	6,453,813	7,044,520	6,470,767	5,129,814	4,554,878	4,120,351	4,393,732	4,300,485	4,124,611	4,347,936	1,538,427	412,263
Net Earned Premiums	\$18,455,987	\$18,312,011	\$16,683,485	\$15,576,577	\$14,748,466	\$13,300,587	\$12,988,471	\$11,977,770	\$11,659,657	\$10,715,659	\$9,109,389	\$3,319,047	\$1,282,448
Investment Income (Note 2)	3,436,013	3,691,182	2,236,254	4,401,719	3,567,148	3,336,819	2,602,246	2,043,302	1,361,573	916,319	544,272	194,980	97,246
Net increase in the fair value of investments (Note 3)													
Other													
<b>Total Revenues</b>	<b>\$21,892,000</b>	<b>\$22,003,193</b>	<b>\$18,919,739</b>	<b>\$19,978,296</b>	<b>\$18,315,614</b>	<b>\$16,637,406</b>	<b>\$15,590,717</b>	<b>\$14,021,072</b>	<b>\$13,021,230</b>	<b>\$11,631,978</b>	<b>\$9,653,661</b>	<b>\$3,514,027</b>	<b>\$1,379,694</b>
<b>Expenses:</b>													
Claims Expense Incurred	\$17,616,865	\$12,789,204	\$8,542,228	\$12,624,959	\$20,891,408	\$13,314,822	\$12,942,008	\$7,994,026	\$11,296,139	\$7,388,034	\$5,551,932	\$2,329,191	\$942,765
Service Fees	4,351,458	4,314,234	3,938,646	3,957,270	3,695,151	2,614,931	2,729,113	2,891,359	2,510,847	2,336,882	2,053,207	754,915	331,461
Administrative Expenses	302,367	292,776	374,949	435,750	465,141	359,870	388,618	403,614	134,250	106,981	50,985	35,845	16,479
Distribution to Participants	2,409,977	0	0	0	0	0	0	0	0	0	0	0	70,000
<b>Total Expenses</b>	<b>\$24,680,667</b>	<b>\$17,396,214</b>	<b>\$12,855,823</b>	<b>\$17,017,979</b>	<b>\$25,051,700</b>	<b>\$16,289,623</b>	<b>\$16,059,739</b>	<b>\$11,288,999</b>	<b>\$13,941,236</b>	<b>\$9,831,697</b>	<b>\$7,656,124</b>	<b>\$3,119,951</b>	<b>\$1,360,705</b>
Change in Accounting Principle (Note 1)	-	-	-	-	-	-	-	-	1,325,000	-	-	-	-
<b>Excess of Revenues over Expenses</b>	<b>(\$2,788,667)</b>	<b>\$4,606,979</b>	<b>\$6,063,916</b>	<b>\$2,960,317</b>	<b>(\$6,736,086)</b>	<b>\$347,783</b>	<b>(\$469,022)</b>	<b>\$2,732,073</b>	<b>\$404,994</b>	<b>\$1,800,281</b>	<b>\$1,997,537</b>	<b>\$394,076</b>	<b>\$18,989</b>

Note 1 - Cumulative effect on prior years (to December 31, 1987) of changing to a different reserve valuation method.

Note 2 - The Pool's investment in NLC Mutual Insurance Company is accounted for under the equity method.

Note 3 - The Pool adopted GASB 31 in 1998 which requires unrealized investment gains & losses to be reported as a component of income. Accordingly, 1997 revenue and expenses have also been restated.



**MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL**  
**REINSURANCE RECOVERABLES on UNPAID LOSSES BY REINSURER**  
**AS OF DECEMBER 31, 2005**

Column 5

CLAIM	Layer	Recoverable	MMLPP Share	MCCA	Discover Re (USF&G)	Everest Re	JK Buck	NLC Mutual	American Re	Reinsurers' Total
Fraser Property	-	100.00	-	-	-	-	-	-	100.00	100.00
Goose Island Brewery vs Keego Harbor	1	125,184.43	-	-	50,073.77	25,036.89	37,555.33	12,518.44	-	125,184.43
Kingsford Property	-	170,132.75	-	-	170,132.75	-	-	-	-	170,132.75
Leusby vs. Alpena	-	175,286.53	-	175,286.53	-	-	-	-	-	175,286.53
Park vs Brownstown	-	10,997.18	-	10,997.18	-	-	-	-	-	10,997.18
Wyniemko vs Clinton Township	3	33,164.26	-	-	6,632.85	3,316.43	-	3,316.43	-	13,265.70
Unrecoverable portion of Wyniemko	3	-	-	-	-	-	19,898.56	-	-	19,898.56
Total Reinsurance Recoverable		514,865.15	-	186,283.71	226,839.37	28,353.31	37,555.33	15,834.87	100.00	514,865.15

**Michigan Municipal League Liability and Property Pool  
Operating Demographic Information**

**Descriptions**

	2006	2005	2004	2003	2002	2001	2000
Total Numbers of Members	397	396	396	387	387	683	777
Total Number of Employees	18,164	18,183	18,184	18,386	18,913	21,582	21,096
Total Number of Elected Officials	2,563	2,558	2,567	2,504	2,418	5,483	5,185
Total Fire Departments	148	150	147	141	134	265	516
Total Law Enforcement Agencies	209	207	207	203	201	232	227
Total Ambulance/Rescue Agencies	12	13	14	44	45	123	156
Total Water Service Operations	210	209	190	184	177	202	190
Total Sewer Plant Operations	176	167	149	145	144	199	169
Total Municipal Marinas	28	26	25	24	28	27	28
Total Acres Municipal Parks & Playgrounds	17,004	16,497	13,830	14,167	11,684	16,763	26,740
Total Miles of Streets and Roads	5,809	4,331	4,812	5,332	6,187	6,616	7,250
Total Vehicles	7,818	7,818	7,632	7,490	8,590	9,048	9,137
Total Value of Property	3,878,319,378	3,640,314,583	3,395,301,993	3,329,361,644	3,084,312,139	3,343,672,692	3,106,030,518

**Police Officers by Class**

Class A	Full Time Officers, including Chief, with arrest authority	2,384	2379	2,362
Class B	Part-time, Auxiliary or Reserve with arrest authority	526	526	507
Class C	Part-time, Auxiliary or Reserve with no arrest authority	660	655	663
Class D	Clerical, Dispatchers, Civil Process, Jailers, Matrons, Court Security	635	632	684
Class F	Dogs, Horses	36	37	50
<b>Total</b>		<b>4,241</b>	<b>4229</b>	<b>4,266</b>

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL

REINSURANCE HISTORY

As of December 31, 2005

COVERAGE	REINSURER	SPECIFIC	ATTACHMENT	PARTI- CIPATION	BASE PREMIUM	REIN RATE	REIN PREMIUM
PERIOD							
LIABILITY & AUTO							
12/1/82-7/9/84 (Occurrence)	MEAD RE	900M X 100M	705,272 PREM*60%	100.0%	726,270	15.7% LIAB	115,477
					449,184	17.9% AUTO	80,404
					1,175,454		195,881
7/10/84-2/1/85 (Occurrence)	CORPORATE	900 X 100M	1,259,612 PREM*60%	100.0%	1,285,864	19.69% LIAB	253,187
	UNDERWRITERS				813,490	21.89% AUTO	178,073
	TREATY				2,099,354		431,260
3/1/85-86 (Occurrence)	UNITED INS CO	850M X 150M	5,105,545 PREM*90%	100.0%	5,672,828	33%	\$1,872,033
6/15/85-3/1/86 (Occurrence)	PINE TOP	1MM X 1MM		50.0%	3,389,540	30%	1,016,862
	ANECO RE			15.0%			
	EBCO			10.0%			
	DOMINION CO OF AMERICA			2.0%			
	FLA EXCHGE (11 SYND)			23.0%			
	EFFECTIVE 1/1/86						
	PINE TOP			(20%)			
	MML POOL			20.0%			
12/1/85-3/1/86 (Occurrence)	PRUDENTIAL RE	1MM X 2MM		35.0%	1,151,252	25.0%	287,818
	ANECO RE			15.0%		(175,000M&D)	
	EMPLOYERS MUT. CAS.			8.0%			
	SIGNET RE			7.5%			
	EBBTIDE INDEMNITY			27.0%			
	STAR			7.5%			
4/1/86-87 (Claims Made)	ANECO RE	500M X 500M					
	INTERAMERICA RE	500M DEDUCT IN LAYER		30.0%	7,118,386	20.0%	1,423,677
	STAR			20.0%		(1,000,000M&D)	
	RIVERPLATE RE			15.0%			
	IMPERIAL CASUALTY			7.5%			
	MML POOL			7.5%			
4/1/86-87 (Claims Made)	PRUDENTIAL RE	1MM X 1MM		30.0%	5,978,794	27.5%	1,644,165
	EBECO INTL			25.0%		(1,000,000M&D)	
	ANECO RE UAW			12.5%			
	STAR			2.5%			
	FLA EXCHG (10 SYND)			30.0%			
	CLASSIC SYND-ILL EXCH			13.5%			
1/1/87-4/1/87 (Claims Made)	STAR	5MM X 125%		100.0%	7,118,386	100/70	30,000M&D
4/1/86-87 (Claims Made)						*-LOSSES	

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
REINSURANCE HISTORY  
As of December 31, 2005

COVERAGE	REINSURER	ATTACHMENT	PARTI- CIPATION	BASE PREMIUM	REIN RATE	REIN PREMIUM
PERIOD	SPECIFIC	AGGREGATE				
10/1/86-87 (Claims Made)	III NLC RE III MML POOL III	III 1MM X 2MM III III	III 50.0% III 50.0% III	III 664,496 III III	III QUOTA III SHARE III	III 332,248 III III
4/1/87-88 (Claims Made)	III ANECO RE UW III FORUM RE UW III STAR III IMPERIAL CASUALTY III CLASSIC SYND-ILL EXCH. III CORONET III	III 500M X 500M III 500M DEDUCT IN LAYER III III III III III	III 30.0% III 30.0% III 15.0% III 10.0% III 10.0% III 5.0% III	III 6,936,264 III III III III III III	III 12.5% III III III III III III	III 867,033 III (850,000 M&D) III III III III III
4/1/87-88 (Claims Made)	III PRUDENTIAL RE III ANECO RE UW III FORUM RE UW III STAR III TOOLING MANUF. INS. LTD. III CLASSIC SYND-ILL EXCH. III NLC RE III	III 1MM X 1MM III III III III III III III	III 30.0% III 10.0% III 10.0% III 10.0% III 10.0% III 20.0% III	III 5,819,439 III III III III III III	III 25.0% III III III III III III	III 1,454,860 III (1,500,000M&D) III III III III III
4/1/87-88 (Claims Made)	III STAR III	III 5MM X 125% III	III 100.0% III	III 6,936,264 III	III 100/70 III * LOSSES	III 30,000 III M & D
10/1/87-88 (Claims Made)	III NLC RE III MML POOL III	III 1MM X 2MM III CANCELLED 4/1/88 III	III 50.0% III 50.0% III	III 443,828 III III	III QUOTA III SHARE III	III 221,914 III EST. III
4/1/88-89 (Claims Made)	III ANECO RE III FORUM RE III STAR III CORONET III CLASSIC SYND-ILL EXCH. III	III 500M X 500M III 250M DEDUCT IN LAYER III III III III	III 25.0% III 25.0% III 20.0% III 15.0% III 15.0% III	III 7,237,549 III III III III III	III 11.75% III III III III III	III 850,412 III (770,000 M&D) III III III III
4/1/88-89 (Claims Made)	III PRUDENTIAL RE III BELVEDERE III ANECO RE III FORUM RE III STAR III CLASSIC SYND-ILL EXCH. III	III 1MM X 1MM III III III III III III	III 30.0% III 20.0% III 12.5% III 12.5% III 12.5% III	III 6,121,860 III III III III III	III 22.0% III III III III III	III 1,345,809 III (1,200,000 M&D) III III III III
4/1/88-89 (Claims Made)	III MINET-LONDON III PRUDENTIAL RE III NLC MUTUAL III MML POOL III	III 3MM X 2MM III III III III	III 50.00% III 16.67% III 16.67% III 16.67% III	III 3,540,564 III III III III	III 25.0% III III III III	III 885,141 III (1,100,000 M&D) III III III
4/1/89-90 (Claims Made)	III ANECO RE III FORUM RE III STAR III	III 500M X 500M III 750M DEDUCT OR 11% OF III PREM IN LAYER III III	III 37.50% III 37.50% III 25.00% III	III 7,370,000 III III III	III 4.0% III III III	III 275,000 III M & D III III

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL

REINSURANCE HISTORY

As of December 31, 2005

COVERAGE	REINSURER	SPECIFIC	ATTACHMENT	PARTI-	BASE	REIN RATE	REIN PREMIUM
PERIOD			AGGREGATE	CIPATION	PREMIUM		
4/1/89-90 (Claims Made)	PRUDENTIAL RE NLC MUTUAL ANECO RE FORUM RE DORINCO RE NLC MUTUAL MML POOL	1MM X 1MM 3MM X 2MM 1MM X 1MM 3MM X 2MM 1MM X 1MM 3MM X 2MM		40.00% 30.00% 10.00% 10.00% 90.00% 10.00%	5,500,000 EST. 6,669,107 ACTUAL 4,800,000 6,000,000 EST. 5,000,000 EST. 5,253,817 ACTUAL 6,500,000 EST. 7,708,047 ACT CNA EST - 8,250,000 4,404,000 EST. 9,000,000 EST. 9,682,665 ACT 8,500,000 EST. 8,605,942 ACT 4,800,000 EST. 5,708,239 ACT 2,700,000 EST. 2,019,023 ACT 10,770,000 EST. 10,794,104 ACT	22.0% 25.0% 22.0% 23.0% 20.0% 19.0% 21.0% 13.0% 15.0% 19.0% 15.0% 14.0%	1,467,203 (1,200,000 M&D) 1,200,000 (1,000,000 M&D) 1,200,000 M & D 1,200,000 MIN 1,208,378 ACTUAL 1,400,000 D 1,079,127 390,000 D 925,000 MINIMUM 1,200,000 D 1,258,746 ACT 1,290,891 ACT 1,084,565 500,000 D 1,507,800 D 1,511,175 ACT
4/1/89-90 (Claims Made)	PRUDENTIAL RE NLC MUTUAL ANECO RE FORUM RE DORINCO RE NLC MUTUAL MML POOL	1MM X 1MM 3MM X 2MM 1MM X 1MM 3MM X 2MM 1MM X 1MM 3MM X 2MM		40.00% 30.00% 10.00% 10.00% 90.00% 10.00%	5,500,000 EST. 6,669,107 ACTUAL 4,800,000 6,000,000 EST. 5,000,000 EST. 5,253,817 ACTUAL 6,500,000 EST. 7,708,047 ACT CNA EST - 8,250,000 4,404,000 EST. 9,000,000 EST. 9,682,665 ACT 8,500,000 EST. 8,605,942 ACT 4,800,000 EST. 5,708,239 ACT 2,700,000 EST. 2,019,023 ACT 10,770,000 EST. 10,794,104 ACT	22.0% 25.0% 22.0% 23.0% 20.0% 19.0% 21.0% 13.0% 15.0% 19.0% 15.0% 14.0%	1,467,203 (1,200,000 M&D) 1,200,000 (1,000,000 M&D) 1,200,000 M & D 1,200,000 MIN 1,208,378 ACTUAL 1,400,000 D 1,079,127 390,000 D 925,000 MINIMUM 1,200,000 D 1,258,746 ACT 1,290,891 ACT 1,084,565 500,000 D 1,507,800 D 1,511,175 ACT
4/1/90-91 (Occurrence)	PRUDENTIAL RE CNA RE & LLOYDS	1MM X 1MM 3MM X 2MM		40.00% 30.00%	5,500,000 EST. 6,669,107 ACTUAL 4,800,000 6,000,000 EST. 5,000,000 EST. 5,253,817 ACTUAL 6,500,000 EST. 7,708,047 ACT CNA EST - 8,250,000 4,404,000 EST. 9,000,000 EST. 9,682,665 ACT 8,500,000 EST. 8,605,942 ACT 4,800,000 EST. 5,708,239 ACT 2,700,000 EST. 2,019,023 ACT 10,770,000 EST. 10,794,104 ACT	22.0% 25.0% 22.0% 23.0% 20.0% 19.0% 21.0% 13.0% 15.0% 19.0% 15.0% 14.0%	1,467,203 (1,200,000 M&D) 1,200,000 (1,000,000 M&D) 1,200,000 M & D 1,200,000 MIN 1,208,378 ACTUAL 1,400,000 D 1,079,127 390,000 D 925,000 MINIMUM 1,200,000 D 1,258,746 ACT 1,290,891 ACT 1,084,565 500,000 D 1,507,800 D 1,511,175 ACT
4/1/90-91 (Occurrence)	PRUDENTIAL RE CNA RE & LLOYDS	1MM X 1MM 3MM X 2MM		40.00% 30.00%	5,500,000 EST. 6,669,107 ACTUAL 4,800,000 6,000,000 EST. 5,000,000 EST. 5,253,817 ACTUAL 6,500,000 EST. 7,708,047 ACT CNA EST - 8,250,000 4,404,000 EST. 9,000,000 EST. 9,682,665 ACT 8,500,000 EST. 8,605,942 ACT 4,800,000 EST. 5,708,239 ACT 2,700,000 EST. 2,019,023 ACT 10,770,000 EST. 10,794,104 ACT	22.0% 25.0% 22.0% 23.0% 20.0% 19.0% 21.0% 13.0% 15.0% 19.0% 15.0% 14.0%	1,467,203 (1,200,000 M&D) 1,200,000 (1,000,000 M&D) 1,200,000 M & D 1,200,000 MIN 1,208,378 ACTUAL 1,400,000 D 1,079,127 390,000 D 925,000 MINIMUM 1,200,000 D 1,258,746 ACT 1,290,891 ACT 1,084,565 500,000 D 1,507,800 D 1,511,175 ACT
4/1/91-92 (Occurrence)	PRUDENTIAL RE CNA RE INTRNL LTD	1MM X 1MM 3MM X 2MM		40.00% 30.00%	5,500,000 EST. 6,669,107 ACTUAL 4,800,000 6,000,000 EST. 5,000,000 EST. 5,253,817 ACTUAL 6,500,000 EST. 7,708,047 ACT CNA EST - 8,250,000 4,404,000 EST. 9,000,000 EST. 9,682,665 ACT 8,500,000 EST. 8,605,942 ACT 4,800,000 EST. 5,708,239 ACT 2,700,000 EST. 2,019,023 ACT 10,770,000 EST. 10,794,104 ACT	22.0% 25.0% 22.0% 23.0% 20.0% 19.0% 21.0% 13.0% 15.0% 19.0% 15.0% 14.0%	1,467,203 (1,200,000 M&D) 1,200,000 (1,000,000 M&D) 1,200,000 M & D 1,200,000 MIN 1,208,378 ACTUAL 1,400,000 D 1,079,127 390,000 D 925,000 MINIMUM 1,200,000 D 1,258,746 ACT 1,290,891 ACT 1,084,565 500,000 D 1,507,800 D 1,511,175 ACT
4/1/91-92 (Occurrence)	PRUDENTIAL RE CNA RE INTRNL LTD	1MM X 1MM 3MM X 2MM		40.00% 30.00%	5,500,000 EST. 6,669,107 ACTUAL 4,800,000 6,000,000 EST. 5,000,000 EST. 5,253,817 ACTUAL 6,500,000 EST. 7,708,047 ACT CNA EST - 8,250,000 4,404,000 EST. 9,000,000 EST. 9,682,665 ACT 8,500,000 EST. 8,605,942 ACT 4,800,000 EST. 5,708,239 ACT 2,700,000 EST. 2,019,023 ACT 10,770,000 EST. 10,794,104 ACT	22.0% 25.0% 22.0% 23.0% 20.0% 19.0% 21.0% 13.0% 15.0% 19.0% 15.0% 14.0%	1,467,203 (1,200,000 M&D) 1,200,000 (1,000,000 M&D) 1,200,000 M & D 1,200,000 MIN 1,208,378 ACTUAL 1,400,000 D 1,079,127 390,000 D 925,000 MINIMUM 1,200,000 D 1,258,746 ACT 1,290,891 ACT 1,084,565 500,000 D 1,507,800 D 1,511,175 ACT
4/1/92-93 (Occurrence)	TRANSAMERICA PRUDENTIAL RE MML POOL	500 X 500 3MM X 2MM 1MM X 1MM		60.00% 30.00% 10.00%	9,000,000 EST. 9,682,665 ACT 8,500,000 EST. 8,605,942 ACT 4,800,000 EST. 5,708,239 ACT 2,700,000 EST. 2,019,023 ACT 10,770,000 EST. 10,794,104 ACT	13.0% 15.0% 19.0% 15.0% 14.0%	1,200,000 D 1,258,746 ACT 1,300,000 D 1,290,891 ACT 1,084,565 500,000 D 1,507,800 D 1,511,175 ACT
4/1/92-93 (Occurrence)	TRANSAMERICA PRUDENTIAL RE CNA RE INTRNL LTD NLC MUTUAL	1MM X 1MM 3MM X 2MM 5MM X 5MM		35.00% 25.00% 30.00% 10.00%	8,500,000 EST. 8,605,942 ACT 4,800,000 EST. 5,708,239 ACT 2,700,000 EST. 2,019,023 ACT 10,770,000 EST. 10,794,104 ACT	15.0% 19.0% 15.0% 14.0%	1,300,000 D 1,290,891 ACT 1,084,565 500,000 D 1,507,800 D 1,511,175 ACT
4/1/92-93 (Occurrence)	TRANSAMERICA PRUDENTIAL RE CNA RE INTRNL LTD NLC MUTUAL	1MM X 1MM 3MM X 2MM 5MM X 5MM		35.00% 25.00% 30.00% 10.00%	8,500,000 EST. 8,605,942 ACT 4,800,000 EST. 5,708,239 ACT 2,700,000 EST. 2,019,023 ACT 10,770,000 EST. 10,794,104 ACT	15.0% 19.0% 15.0% 14.0%	1,300,000 D 1,290,891 ACT 1,084,565 500,000 D 1,507,800 D 1,511,175 ACT
4/1/92-93 (Occurrence)	TRANSAMERICA PRUDENTIAL RE CNA RE INTRNL LTD NLC MUTUAL	1MM X 1MM 3MM X 2MM 5MM X 5MM		35.00% 25.00% 30.00% 10.00%	8,500,000 EST. 8,605,942 ACT 4,800,000 EST. 5,708,239 ACT 2,700,000 EST. 2,019,023 ACT 10,770,000 EST. 10,794,104 ACT	15.0% 19.0% 15.0% 14.0%	1,300,000 D 1,290,891 ACT 1,084,565 500,000 D 1,507,800 D 1,511,175 ACT
4/1/93-94 (Occurrence)	TRANSAMERICA PRUDENTIAL RE MML POOL	500 x 500 3MM X 2MM 1MM X 1MM		60.00% 30.00% 10.00%	10,770,000 EST. 10,794,104 ACT	14.0%	1,507,800 D 1,511,175 ACT

## MICHIGAN MUNICIPAL LIABILITY &amp; PROPERTY POOL

## REINSURANCE HISTORY

As of December 31, 2005

COVERAGE PERIOD	REINSURER	SPECIFIC	ATTACHMENT	PARTI- CIPATION	BASE PREMIUM	REIN RATE	REIN PREMIUM
4/1/93-94 (Occurrence)	TRANSAMERICA	1MM X 1MM		35.00%	EST 9,700,000	14.0%	1,358,000 D
	PRUDENTIAL RE			25.00%	ACT 9,588,732		ACT 1,342,422
	CNA RE INTRNL LTD			30.00%			
	NLC MUTUAL			10.00%			
4/1/93-94 (Occurrence)	TRANSAMERICA	3MM X 2MM				18.0%	1,161,000 D
	PRUDENTIAL RE			20.00%	EST 6,450,000		ACT 1,139,531
	CNA RE INTRNL LTD			10.00%	ACT 6,330,728		
	NLC MUTUAL			60.00%			
4/1/93-94 (Occurrence)	TRANSAMERICA	5MM X 5MM		10.00%			
	PRUDENTIAL RE			50.00%	ACT 2,060,403	15.0%	450,000 DEPOSIT
	CNA RE INTRNL LTD			10.00%			
	NLC MUTUAL			30.00%			JH 550,000
4/1/94-95 (Occurrence)	TRANSAMERICA	500 x 500		10.00%			
	PRUDENTIAL RE			60.00%	EST 11,449,000	10.7%	1,225,000 D
	CNA RE INTRNL LTD			30.00%	ACT 10,915,510		ACT 1,167,960
	NLC MUTUAL			10.00%			
4/1/94-95 (Occurrence)	TRANSAMERICA	1MM X 1MM				13.0%	1,352,000 D
	PRUDENTIAL RE			35.00%	EST 10,400,000		ACT 1,250,437
	CNA RE INTRNL LTD			25.00%	ACT 9,618,747		
	NLC MUTUAL			30.00%			
4/1/94-95 (Occurrence)	TRANSAMERICA	3MM X 2MM		10.00%			
	PRUDENTIAL RE			20.00%	EST 6,900,000	18.0%	1,242,000 D
	CNA RE INTRNL LTD			10.00%	ACT 6,548,290		ACT 1,178,332
	NLC MUTUAL			60.00%			
4/1/94-95 (Occurrence)	TRANSAMERICA	5MM X 5MM		10.00%			
	PRUDENTIAL RE			50.00%	EST 2,667,000	15.0%	400,000
	CNA RE INTRNL LTD			10.00%	ACT 2,179,253		JH=450,000 MIN
	NLC MUTUAL			30.00%			
4/1/95-96 (Occurrence)	TRANSAMERICA	500 x 500		10.00%			
	PRUDENTIAL RE			60.00%	EST 11,500,000	10.7%	1,230,500 D
	CNA RE INTRNL LTD			30.00%	ACT 11,390,261		ACT 1,218,758
	NLC MUTUAL			10.00%			
4/1/95-96 (Occurrence)	TRANSAMERICA	1MM X 1MM				12.0%	1,248,000 D
	PRUDENTIAL RE			35.00%	EST 10,400,000		ACT 1,235,984
	CNA RE INTRNL LTD			25.00%	ACT 10,299,865		
	NLC MUTUAL			30.00%			
4/1/95-96 (Occurrence)	TRANSAMERICA	3MM X 2MM		10.00%			
	PRUDENTIAL RE			20.00%	EST 6,900,000	17.0%	1,173,000 D
	CNA RE INTRNL LTD			10.00%	ACT 7,248,636		ACT 1,232,268
	NLC MUTUAL			60.00%			

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
REINSURANCE HISTORY  
As of December 31, 2005

COVERAGE	PERIOD	REINSURER	SPECIFIC	ATTACHMENT	PARTI- CIPATION	BASE PREMIUM	REIN RATE	REIN PREMIUM
4/1/95-96 (Occurrence)	III	III TRANSAMERICA III PRUDENTIAL RE III CNA RE INTRNL LTD III NLC MUTUAL III	III 5MM X 5MM III III III III	III III III III III	III III III III III	III III III III III	III III III III III	III III III III III
4/1/95-97 (Occurrence)	III	III USF&G III EVEREST RE (PRUDENTIAL) III NLC MUTUAL III	III 500 x 500 III III III	III III III III	III III III III	III III III III	III III III III	III III III III
4/1/96-97 (Occurrence)	III	III USF&G III EVEREST RE (PRUDENTIAL) III CNA RE INTRNL LTD III NLC MUTUAL III	III 1MM X 1MM III III III III	III III III III III	III III III III III	III III III III III	III III III III III	III III III III III
4/1/96-97 (Occurrence)	III	III USF&G III EVEREST RE (PRUDENTIAL) III CNA RE INTRNL LTD III NLC MUTUAL III	III 3MM X 2MM III III III III	III III III III III	III III III III III	III III III III III	III III III III III	III III III III III
4/1/96-97 (Occurrence)	III	III USF&G III EVEREST RE (PRUDENTIAL) III CNA RE INTRNL LTD III NLC MUTUAL III	III 5MM X 5MM III III III III	III III III III III	III III III III III	III III III III III	III III III III III	III III III III III
4/1/97-98 (Occurrence)	III	III DISCOVER RE (USF&G) III CNA RE INTRNL LTD III EVEREST RE (PRUDENTIAL) III NLC MUTUAL III	III 500 x 500 III III III III	III III III III III	III III III III III	III III III III III	III III III III III	III III III III III
4/1/97-98 (Occurrence)	III	III DISCOVER RE (USF&G) III EVEREST RE (PRUDENTIAL) III CNA RE INTRNL LTD III NLC MUTUAL III	III 1MM X 1MM III III III III	III III III III III	III III III III III	III III III III III	III III III III III	III III III III III
4/1/97-98 (Occurrence)	III	III DISCOVER RE (USF&G) III EVEREST RE (PRUDENTIAL) III CNA RE INTRNL LTD III NLC MUTUAL III	III 3MM X 2MM III III III III	III III III III III	III III III III III	III III III III III	III III III III III	III III III III III
4/1/97-98 (Occurrence)	III	III DISCOVER RE (USF&G) III EVEREST RE (PRUDENTIAL) III CNA RE INTRNL LTD III NLC MUTUAL III	III 5MM X 5MM III III III III	III III III III III	III III III III III	III III III III III	III III III III III	III III III III III
4/1/98-99 (Occurrence)	III	III DISCOVER RE (USF&G) III CNA RE INTRNL LTD III EVEREST RE (PRUDENTIAL) III NLC MUTUAL III	III 500 x 500 III III III III	III III III III III	III III III III III	III III III III III	III III III III III	III III III III III

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
REINSURANCE HISTORY  
As of December 31, 2005

COVERAGE	REINSURER	SPECIFIC	ATTACHMENT	PARTI- CIPATION	BASE PREMIUM	REIN RATE	REIN PREMIUM
4/1/98-99 (Occurrence)	DISCOVER RE (USF&G)	1MM X 1MM		35.00%	EST 11,100,888	9.97%	1,107,000 D
	EVEREST RE (PRUDENTIAL)			25.00%	ACT 11,595,381		950,000 M
	CNA RE INTRNL LTD			30.00%			ACT 1,155,451
	NLC MUTUAL			10.00%			
4/1/98-99 (Occurrence)	DISCOVER RE (USF&G)	3MM X 2MM		20.00%	EST 8,483,640	12.97%	1,100,000 D
	EVEREST RE (PRUDENTIAL)			10.00%	ACT 9,023,871		950,000 M
	CNA RE INTRNL LTD			60.00%			ACT 1,168,824
	NLC MUTUAL			10.00%			
4/1/98-99 (Occurrence)	DISCOVER RE (USF&G)	5MM X 5MM		50.00%	EST 3,542,000	12.00%	400,000 D
	EVEREST RE (PRUDENTIAL)			10.00%	ACT 3,884,750		300,000 M
	CNA RE INTRNL LTD			30.00%			ACT 466,170
	NLC MUTUAL			10.00%			
4/1/99-2000 (Occurrence)	DISCOVER RE (USF&G)	500 x 500		40.00%	EST 12,114,228	8.50%	1,030,000 D
	CNA RE INTRNL LTD			30.00%	ACT 11,350,247		ACT 964,771
	EVEREST RE (PRUDENTIAL)			20.00%			
	NLC MUTUAL			10.00%			
4/1/99-2000 (Occurrence)	DISCOVER RE (USF&G)	1MM X 1MM		35.00%	EST 11,100,888	9.97%	1,107,000 D
	EVEREST RE (PRUDENTIAL)			25.00%	ACT 10,640,137		950,000 M
	CNA RE INTRNL LTD			30.00%			ACT 1,060,273
	NLC MUTUAL			10.00%			
4/1/99-2000 (Occurrence)	DISCOVER RE (USF&G)	3MM X 2MM		20.00%	EST 8,483,640	12.97%	1,100,000 D
	EVEREST RE (PRUDENTIAL)			10.00%	ACT 8,236,949		950,000 M
	CNA RE INTRNL LTD			60.00%			ACT 1,066,897
	NLC MUTUAL			10.00%			
4/1/99-2000 (Occurrence)	DISCOVER RE (USF&G)	5MM X 5MM		50.00%	EST 3,332,000	14.00%	467,000 D
	EVEREST RE (PRUDENTIAL)			10.00%	ACT 3,631,470		400,000 M
	CNA RE INTRNL LTD			30.00%			ACT 508,405
	NLC MUTUAL			10.00%			
4/1/99-2000	DISCOVER RE (USF&G)	Aggregate Retention		100.00%			80,000 Annual & Deposit
4/1/00-2001 (Occurrence)	DISCOVER RE (USF&G)	500 x 500		38.00%	EST 11,600,000	6.47%	487,500 D
	EVEREST RE (PRUDENTIAL)	\$1,500,000 DEDUCTIBLE		17.00%	ACT 10,718,077		ACT 450,749
	NLC MUTUAL	THREE TIMES CORRIDOR		10.00%			
	CNA RE INTRNL LTD			35.00%	EST 11,600,000	12.93%	1,030,000 D
					ACT 10,718,077		ACT 485,047
	DISCOVER RE (USF&G)	Clash Retention		59.00%	Flat Premium		150,000
	EVEREST RE (PRUDENTIAL)			26.00%	Charge		
	NLC MUTUAL			15.00%			



MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
REINSURANCE HISTORY  
As of December 31, 2005

COVERAGE PERIOD	REINSURER	SPECIFIC	ATTACHMENT	PARTICIPATION	BASE PREMIUM	REIN RATE	REIN PREMIUM
4/1/00-2001 (Occurrence)	DISCOVER RE (USF&G)	1MM X 1MM		38.00%	EST 11,000,000	11.38%	812,500 D
	EVEREST RE (PRUDENTIAL)			17.00%	ACT 9,983,323		650,000 M
	NLC MUTUAL			10.00%			ACT 737,169
	CNA RE INTRNL LTD			35.00%	EST 11,000,000	12.72%	490,000 D
					ACT 9,983,323		ACT 444,458
4/1/00-2001 (Occurrence)	DISCOVER RE (USF&G)	3MM X 2MM		38.00%	EST 8,300,000	14.46%	780,000 D
	EVEREST RE (PRUDENTIAL)			17.00%	ACT 8,020,667		650,000 M
	NLC MUTUAL			10.00%			ACT 753,862
	CNA RE INTRNL LTD			35.00%	EST 8,300,000	15.66%	455,000 D
					ACT 8,020,667		ACT 439,613
4/1/00-2001 (Occurrence)	DISCOVER RE (USF&G)	5MM X 5MM		38.00%	EST 3,600,000	16.19%	378,950 D
	EVEREST RE (PRUDENTIAL)			17.00%	ACT 3,276,369		325,000 M
	NLC MUTUAL			10.00%			ACT 344,789
	CNA RE INTRNL LTD			35.00%	EST 3,600,000	16.66%	210,000 D
					ACT 3,276,369		ACT 191,045
4/1/00-2001 (Occurrence)	DISCOVER RE (USF&G)	Aggregate Retention		100.00%			95,000
	EVEREST RE (PRUDENTIAL)						Annual & Deposit
	NLC MUTUAL						
	DISCOVER RE (USF&G)	500 x 500		38.00%	EST 11,400,000	11.05%	487,500 D
	EVEREST RE (PRUDENTIAL)	\$1,000,000 DEDUCTIBLE		17.00%	ACT 10,776,046		
4/1/01-2002 (Occurrence)	NLC MUTUAL	TWO TIMES CORRIDOR		10.00%			ACT 1,189,648
	CNA RE INTRNL LTD			35.00%	EST 11,400,000	11.05%	518,700 D
					ACT 10,776,046		
	DISCOVER RE (USF&G)	1MM X 1MM		38.00%	EST 10,500,000	12.75%	870,187.50 D
	EVEREST RE (PRUDENTIAL)			17.00%	ACT 10,027,974		650,000 M
4/1/01-2002 (Occurrence)	NLC MUTUAL			10.00%			ACT 1,278,352
	CNA RE INTRNL LTD			35.00%	EST 10,500,000	12.75%	
	DISCOVER RE (USF&G)	3MM X 2MM		38.00%	EST 8,500,000	16.15%	892,287.50 D
	EVEREST RE (PRUDENTIAL)			17.00%	ACT 8,111,640		650,000 M
4/1/01-2002 (Occurrence)	NLC MUTUAL			10.00%			ACT 1,310,030
	CNA RE INTRNL LTD			35.00%	EST 8,500,000	16.15%	
	DISCOVER RE (USF&G)	5MM X 5MM		38.00%	EST 3,500,000	17.85%	406,087.50 D
	EVEREST RE (PRUDENTIAL)			17.00%	ACT 3,376,217		325,000 M
4/1/01-2002 (Occurrence)	NLC MUTUAL			10.00%			ACT 602,655
	CNA RE INTRNL LTD			35.00%	EST 3,500,000	17.85%	
	DISCOVER RE (USF&G)	Aggregate Retention		100.00%			80,000
	EVEREST RE (USF&G)						Annual & Deposit

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
REINSURANCE HISTORY  
As of December 31, 2005

COVERAGE	REINSURER	SPECIFIC	ATTACHMENT	PARTI- CIPATION	BASE PREMIUM	REIN RATE	REIN PREMIUM
PERIOD							
4/1/02-2003 (Occurrence)	DISCOVER RE (USF&G)	500 x 500		50.00%	EST 11,200,000	11.05%	1,178,352 D
	EVEREST RE (PRUDENTIAL)	\$1,000,000 DEDUCTIBLE		25.00%	ACT 10,663,821	12.3%	ACT 1,237,600
	NLC MUTUAL	TWO TIMES CORRIDOR		25.00%			
4/1/02-2003 (Occurrence)	DISCOVER RE (USF&G)	1MM X 1MM		50.00%	EST 10,900,000	18.78%	1,895,605 D
	EVEREST RE (PRUDENTIAL)			25.00%	ACT 10,093,761	21.3%	ACT 2,047,020
	NLC MUTUAL			25.00%			
4/1/02-2003 (Occurrence)	DISCOVER RE (USF&G)	3MM X 2MM		50.00%	EST 9,700,000	17.00%	1,402,353 D
	EVEREST RE (PRUDENTIAL)			25.00%	ACT 8,249,134	20.9%	ACT 1,649,000
	NLC MUTUAL			25.00%			
4/1/02-2003 (Occurrence)	DISCOVER RE (USF&G)	5MM X 5MM		50.00%	EST 4,000,000	23.06%	749,972 D
	EVEREST RE (PRUDENTIAL)			17.00%	ACT 3,252,262	27.7%	ACT 848,795
	NLC MUTUAL			25.00%			
	MMILL&PP			8.00%			
4/1/02-2003	DISCOVER RE (USF&G)	Aggregate Retention		100.00%			80,000
4/01/03-2004	DISCOVER RE (MARSH)	500 x 500		45.00%	EST 14,100,000	9.3%	1,304,250 D
	EVEREST RE (PRUDENTIAL)	\$1,000,000 DEDUCTIBLE		25.00%	ACT 14,695,613		ACT 1,359,344
	NLC MUTUAL	TWO TIMES CORRIDOR		20.00%			
	JK BUCKENHAM			10.00%			
4/01/03-2004	DISCOVER RE (MARSH)	1MM X 1MM		45.00%	EST 13,600,000	16.5%	2,244,000 D
	EVEREST RE (PRUDENTIAL)			25.00%	ACT 13,932,728		ACT 2,298,900
	NLC MUTUAL			20.00%			
	JK BUCKENHAM			10.00%			
4/01/03-2004	DISCOVER RE (MARSH)	3MM X 2MM		45.00%	EST 11,700,000	17.0%	1,989,000 D
	EVEREST RE (PRUDENTIAL)			25.00%	ACT 11,171,476		ACT 1,899,151
	NLC MUTUAL			20.00%			
	JK BUCKENHAM			10.00%			
4/01/03-2004	DISCOVER RE (MARSH)	5MM X 5MM		45.00%	EST 5,600,000	21.0%	1,176,000 D
	EVEREST RE (PRUDENTIAL)			25.00%	ACT 4,17,828		ACT 1,058,400
	NLC MUTUAL			20.00%			MINIMUM PREM APPLIES
	JK BUCKENHAM			10.00%			
4/01/03-2004	DISCOVER RE (USF&G)	Aggregate Retention		100.00%			80,000

# MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL

## REINSURANCE HISTORY

As of December 31, 2005

COVERAGE	REINSURER	SPECIFIC	ATTACHMENT	PARTI- CIPATION	BASE PREMIUM	REIN RATE	REIN PREMIUM
PERIOD							
4/01/04-2005	DISCOVER RE (MARSH) EVEREST RE (PRUDENTIAL) NLC MUTUAL JK BUCKENHAM	500 x 500 \$1,000,000 DEDUCTIBLE TWO TIMES CORRIDOR		45.00% 25.00% 20.00% 10.00%	EST 13,600,000 ACT 14,288,097	9.25%	1,258,000 D ACT 1,321,649
4/01/04-2005	DISCOVER RE (MARSH) EVEREST RE (PRUDENTIAL) NLC MUTUAL JK BUCKENHAM	1MM X 1MM		45.00% 25.00% 20.00% 10.00%	EST 13,100,000 ACT 13,576,248	16.5%	2,161,500 D ACT 2,240,081
4/01/04-2005	DISCOVER RE (MARSH) EVEREST RE (PRUDENTIAL) NLC MUTUAL JK BUCKENHAM	3MM X 2MM		45.00% 25.00% 20.00% 10.00%	EST 11,300,000 ACT 10,862,586	17.0%	1,921,000 D ACT 1,846,340
4/01/04-2005	DISCOVER RE (MARSH) EVEREST RE (PRUDENTIAL) NLC MUTUAL JK BUCKENHAM	5MM X 5MM		45.00% 25.00% 20.00% 10.00%	EST 4,500,000 ACT 4,089,347	21.0%	945,000 D ACT 858,763
4/01/04-2005	DISCOVER RE (USF&G)	Aggregate Retention		100.00%			80,000
4/01/05-2006	DISCOVER RE (MARSH) EVEREST RE (PRUDENTIAL) NLC MUTUAL JK BUCKENHAM	500 x 500 \$1,000,000 DEDUCTIBLE TWO TIMES CORRIDOR		40.00% 25.00% 20.00% 15.00%	14,300,000	9.25%	1,322,750 D
4/01/05-2006	DISCOVER RE (MARSH) EVEREST RE (PRUDENTIAL) NLC MUTUAL JK BUCKENHAM	1MM X 1MM		40.00% 25.00% 20.00% 15.00%	13,800,000	16.5%	2,277,000 D
4/01/05-2006	DISCOVER RE (MARSH) EVEREST RE (PRUDENTIAL) NLC MUTUAL JK BUCKENHAM	3MM X 2MM		40.00% 25.00% 20.00% 15.00%	11,500,000	17.0%	1,955,000 D
4/01/05-2006	DISCOVER RE (MARSH) EVEREST RE (PRUDENTIAL) NLC MUTUAL JK BUCKENHAM	5MM X 5MM		40.00% 25.00% 20.00% 15.00%	4,500,000	21.0%	945,000 D
4/01/05-2006	DISCOVER RE (USF&G)	Aggregate Retention		100.00%			50,000
1/1/92-12/31/92	MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION	EXCESS OF \$250,000		100.00%	PER VEHICLE	\$110.58	847,160
1/1/93-12/31/93	MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION	EXCESS OF \$250,000		100.00%	PER VEHICLE	\$118.69	1,054,689
1/1/94-12/31/94	MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION	EXCESS OF \$250,000		100.00%	PER VEHICLE	\$115.72	1,042,136
1/1/95-12/31/95	MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION	EXCESS OF \$250,000		100.00%	PER VEHICLE	\$96.95	923,966

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
REINSURANCE HISTORY  
As of December 31, 2005

COVERAGE	REINSURER	ATTACHMENT	PARTI- CIPATION	BASE PREMIUM	REIN RATE	REIN PREMIUM
PERIOD		SPECIFIC	AGGREGATE			
1/1/96-12/31/96	III CLAIMS ASSOCIATION	III	III	III	III	III
	III MICHIGAN CATASTROPHIC	III	III	III	III	760,413
	III CLAIMS ASSOCIATION	III	100.00%	III PER VEHICLE	\$72.57	III
1/1/97-12/31/97	III MICHIGAN CATASTROPHIC	III	III	III	III	153,810
	III CLAIMS ASSOCIATION	III	100.00%	III PER VEHICLE	\$14.94	III
1/1/98-12/31/98	III MICHIGAN CATASTROPHIC	III	III	III	III	57,653
	III CLAIMS ASSOCIATION	III	100.00%	III PER VEHICLE	\$5.60	III
1/1/99-12/31/99	III MICHIGAN CATASTROPHIC	III	III	III	III	56,986
	III CLAIMS ASSOCIATION	III	100.00%	III PER VEHICLE	\$5.60	III
1/1/00-12/31/00	III MICHIGAN CATASTROPHIC	III	III	III	III	53,517
	III CLAIMS ASSOCIATION	III	100.00%	III PER VEHICLE	\$5.60	III
1/1/01-12/31/01	III MICHIGAN CATASTROPHIC	III	III	III	III	133,369
	III CLAIMS ASSOCIATION	III	100.00%	III PER VEHICLE	\$14.41	Actual
1/1/02-6/30/02	III MICHIGAN CATASTROPHIC	III	III	III	III	300,348
	III CLAIMS ASSOCIATION	III	100.00%	III PER VEHICLE	\$71.15 x .50	Actual
7/1/02-6/30/03	III MICHIGAN CATASTROPHIC	III	III	III WRITTEN VEH YR	\$69.00	Actual
	III CLAIMS ASSOCIATION	III	100.00%	III	III	532,075
7/1/03-6/30/04	III MICHIGAN CATASTROPHIC	III	III	III WRITTEN CAR YR	\$100.20	Actual
	III CLAIMS ASSOCIATION	III	100.00%	III	III	743,234
7/1/04-6/30/05	III MICHIGAN CATASTROPHIC	III	III	III WRITTEN CAR YR	\$127.24	Actual
	III CLAIMS ASSOCIATION	III	100.00%	III	III	943,485
7/1/05-6/30/06	III MICHIGAN CATASTROPHIC	III	III	III WRITTEN CAR YR	\$141.70	Est.
	III CLAIMS ASSOCIATION	III	100.00%	III	III	1,078,301
						Est.

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL

REINSURANCE HISTORY

As of December 31, 2005

COVERAGE	REINSURER	SPECIFIC	ATTACHMENT	PARTI-	BASE	REIN RATE	REIN PREMIUM
PERIOD			AGGREGATE	CIPATION	PREMIUM		
PROPERTY					INSURED VALUE		
12/1/82-5/15/84	BACCALA & SHOOP- TWIN CITY FIRE	50,000	182,010	100.0%	270,017	25.0%	89,394
			PREM*60%				
5/16/84-12/31/84	FACULTATIVE EXCESS						13,049
	AFFILIATED FM	50,000/BLDG	94,500	100.0%	296,009	.05/100IV	112,820
		100,000/OCC	FLAT				
1/1/85-86	AFFILIATED FM	50,000/BLDG	200,000	100.0%	1,213,083	.069/100IV	431,275
		100,000/OCC	FLAT				
1/1/86-87	AFFILIATED FM	50,000/BLDG	400,000	100.0%	3,022,172	.075/100IV	812,039
		100,000/OCC	FLAT				
1/1/87-88	AFFILIATED FM	50,000/BLDG	400,000	100.0%	3,097,042	.077/100IV	960,449
		100,000/OCC	FLAT				
1/1/88-89	AFFILIATED FM	100,000/BLDG	500,000	100.0%	3,203,602	.065/100IV	922,968
		200,000/OCC	FLAT				
1/1/89-5/1/89	AFFILIATED FM	100,000/BLDG	750,000	100.0%	1,400,000,000	.057/100TIV	357,227
		250,000/OCC	FLAT				
6/1/89-1/1/90	ARKWRIGHT	100,000/BLDG	750,000	100.0%	1,400,000,000	.063/100TIV	506,000
		250,000/OCC	FLAT				EST.
1/1/90-1/1/91	ARKWRIGHT	100,000/LOC	750,000	100.0%	1,622,000,000	.065/100TIV	1,054,353
		250,000/OCC	FLAT				ACTUAL
1/1/91-1/1/92	ARKWRIGHT	100,000/LOC	750,000	100.0%	1,960,000,000	.0644/100TIV	1,262,000
		250,000/OCC	FLAT				
1/1/92-1/1/93	ARKWRIGHT	100,000/LOC	750,000	100.0%	2,029,000,000	.069/100TIV	1,402,586
		250,000/OCC	FLAT				
1/1/93-1/1/94	AMERICAN REINSURANCE CO	100,000/OCC	750,000	100.0%	3,923,571	\$ .39	1,530,193
		MIN.					

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL

REINSURANCE HISTORY

As of December 31, 2005

COVERAGE PERIOD	REINSURER	SPECIFIC	ATTACHMENT AGGREGATE	PARTI- CIPATION	BASE PREMIUM	REIN RATE	REIN PREMIUM
1/1/94-1/1/95	AMERICAN REINSURANCE CO	100,000/OCC	750,000 MIN.	100.0%	3,849,955	\$ 39	1,501,482
1/1/95-1/1/96	AMERICAN REINSURANCE CO	100,000/OCC	750,000 MIN.	100.0%	4,169,000	\$ 39	1,625,976
1/1/96-1/1/97	AMERICAN REINSURANCE CO	100,000/OCC	750,000 MIN.	100.0%	3,436,875	\$ 39	1,340,381
1/1/97-1/1/98	AMERICAN REINSURANCE CO	100,000/OCC	1,500,000	100.0%	3,832,403	\$ 368	1,410,324
1/1/98-1/1/99	AMERICAN REINSURANCE CO	100,000/OCC	1,500,000	100.0%	3,908,202	\$ 368	1,438,218
1/1/99-1/1/2000	AMERICAN REINSURANCE CO	100,000/OCC	1,500,000	100.0%	4,196,240 est	\$ 368	1,544,952
1/1/00-1/1/2001	AMERICAN REINSURANCE CO	100,000/OCC	1,500,000	100.0%	4,076,087 est	\$ 368	1,317,654 ACT
1/1/01-1/1/2002	AMERICAN REINSURANCE CO	100,000/OCC	1,500,000	100.0%	3,580,582	\$ 368	1,414,744 Actual
1/1/02-1/1/2003	AMERICAN REINSURANCE CO	100,000/OCC	2,222,500	100.0%	TV	Various	1,916,449 Est
1/1/03-1/1/2004	AMERICAN REINSURANCE CO	100,000/OCC	2,500,000	100.0%	TV	Various	1,467,640 Est
	HARTFORD STEAM BOILER	BOILER & MACHINERY		100.0%			

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL

REINSURANCE HISTORY

As of December 31, 2005

COVERAGE PERIOD	REINSURER	SPECIFIC	ATTACHMENT AGGREGATE	PARTICIPATION	BASE PREMIUM	REIN RATE	REIN PREMIUM
1/1/04-12/31/2004	DISCOVER RE	5,000,000 xs 100,000		100.0%			839,363
	ST. PAUL	70,000,000 xs 5,000,000		100.0%			210,000
	HARTFORD STEAM BOILER	50,000,000 xs 75,000,000		100.0%			67,500
	LIBERTY MUTUAL	100,000,000 xs 125,000,000		100.0%			90,000
	HARTFORD STEAM BOILER	BOILER & MACHINERY		100.0%			46,265
		100,000,000 xs 100,000					
1/1/05-12/31/2005	DISCOVER RE	5,000,000 xs 100,000		100.0%			900,687
	CHUBB INSURANCE GROUP	220,000,000 xs 5,100,000		100.0%			351,250
	BOILER & MACHINERY						
	HARTFORD STEAM BOILER	5,000,000 xs 100,000		100.0%			166,119
	CHUBB INSURANCE GROUP	95,000,000 xs 5,100,000		100.0%			25,213
1/1/06-12/31/2006	DISCOVER RE	5,000,000 xs 100,000		100.0%			1,011,159
	CHUBB INSURANCE GROUP	220,000,000 xs 5,100,000		100.0%			413,956
	BOILER & MACHINERY						
	HARTFORD STEAM BOILER	5,000,000 xs 100,000		100.0%			191,490
	CHUBB INSURANCE GROUP	95,000,000 xs 5,100,000		100.0%			28,065*
							*Prem incl in Chubb above

# Memorandum

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TO: Michael J. Forster, Director, Risk Management Services  
FROM: Larry Peck, Risk Manager  
SUBJECT: Pool Reinsurance History and Current Reinsurance Evaluation  
DATE: April 25, 2005

This memo documents the history of the MML Liability and Property Pool reinsurance placements and presents an analysis of the current status of the various insurance arrangements. It is also useful to summarize this very important aspect of Pool financial management. This memo replaces the one written on April 22, 2004.

Following is a brief summary of each reinsurance contract in chronological order.

## **CONTRACT NO. 1 MEAD REINSURANCE**

**12/01/82 - 07/09/84**

This contract was effective at the inception of the Pool and was originally for a three-year period, but was canceled 07/09/84. It provided specific reinsurance excess of the Pool's retention of \$100,000 and aggregate protection excess of the Pool retention of \$705,000. Mead Reinsurance is a subsidiary of Mead Corporation and wrote this contract with terms very favorable to the Pool. With a premium of about \$200,000, Mead paid losses of about \$1.1 million.

Mead Re, which has been in a run off position for many years, was purchased by MidStates Insurance Co. in 1997. MidStates has continued to run off Mead Re's liabilities.

The last large case under this contract was settled in 1990 for \$450,000 and reimbursement from Mead Re was received. There should be no activity under this contract in the future.

## **CONTRACT NO. 2 CORPORATE UNDERWRITERS TREATY**

**07/10/84 - 02/18/85**

When Mead Reinsurance canceled its contract due to losses, coverage was replaced by this treaty arranged by Corporate Underwriters. There was litigation involved with this contract over claims recoveries. Efforts to



recover reinsurance payments in excess of the Pool's retention of \$100,000 per claim and \$1,250,000 annual aggregate were partially successful. Settlements were made with all solvent reinsurers and there should be no further activity. A total of \$1,310,000 was recovered from the reinsurers and Meadowbrook, the Pool's broker for this reinsurance contract.

**(Note: The Pool was without reinsurance support from 2/19/85 until 3/1/85)**

### **CONTRACT NO. 3 UNITED INSURANCE COMPANY**

**03/01/85 - 03/01/86**

The Corporate Underwriter's treaty was replaced by a policy with United Insurance Company, with the Pool retaining \$150,000 per occurrence and 90% of gross written premium. The cost was 33% of written premium and United was paid \$1,872,000. United paid claims totaling about \$340,000. There should be no further activity under this contract.

### **CONTRACT NO. 4 PINE TOP INSURANCE COMPANY**

**06/15/85 - 03/01/86**

This policy provided limits of \$1 million excess of \$1 million, and was written to enable the Pool to offer limits in excess of \$1 million for the first time. It was canceled prior to anniversary due to the insolvency of Pine Top. To date there are no claims under this contract, and none are expected. The Pool paid more than \$1 million for no coverage.

(It should be noted that in 1985 through 1987, the availability of municipal insurance and reinsurance was almost nonexistent from traditional insurance sources. The Pool was not alone during this period in searching for reinsurance capacity from sources that later proved to be unreliable.)

### **CONTRACT NO. 5 PRUDENTIAL RE, ET AL**

**12/01/85 - 03/01/86**

This was the Pool's first contract with Prudential Reinsurance, which provided coverage of \$1 million excess of \$2 million. It was canceled when the underlying contract with Pine Top was canceled. There were no losses under this contract.

In 1996, Prudential Re was spun off by Prudential in a public offering, and it changed its name to Everest Re (another big rock). Everest Re's 2000 A.M. Best rating is A+ XII.

(Note: The Pool was without reinsurance support from 3/1/86 until 4/1/86.)

**CONTRACT NO. 6 ANECO RE INSURANCE, ET AL**

**04/01/86 - 04/01/87**

This is a primary policy replacing the policy with United Insurance Company, which was not renewed. The Pool reduced its premium and increased its risk by increasing its retention per occurrence to \$500,000, and eliminating its aggregate retention. The limit provided was \$500,000 excess of \$500,000. The Pool also retained a \$500,000 deductible in the insured layer. This is the Pool's first contract with Aneco which provided 30% of the coverage and also with Star Insurance Company which provided 20%. Riverplate Reinsurance, which provided 15% of this coverage, is insolvent. Aneco and Imperial Casualty (7.5%) also are being liquidated. There are two claims exceeding the Pool's retention, both of which were paid for by the Pool's deductible. *Waidener v. Grand Rapids* cost \$539,616 and *Brauer v. Romeo* cost \$583,703.

**CONTRACT NO. 7 PRUDENTIAL RE, ET AL**

**04/01/86 - 04/01/87**

This contract was written to enable the Pool to provide a \$2 million limit to members. Prudential Reinsurance provided 30% of the coverage which provided \$1 million excess of \$1 million. The Florida Insurance Exchange, which is no longer in existence, provided 30% of the coverage, but 13% of that was subsequently placed with the Classic Syndicate on the Illinois Insurance Exchange. The Classic Syndicate was declared insolvent in early 1997. Aneco had 12.5%. The Pool paid \$1,644,000 for this coverage. There have been no claims under this contract.

**CONTRACT NO. 8 STAR INSURANCE COMPANY**

**04/01/86 - 04/01/87**

Star Insurance Company is a subsidiary of Meadowbrook Insurance Group. This contract was written to comply with Michigan law that requires group self-insurers to carry \$5 million aggregate reinsurance. It provided \$5 million coverage in excess of Pool retention equal to 125% of earned premium, and had a provision that the Pool would reimburse Star for any claims at a rate equal to 100/70 of losses. There have

been no claims under this contract.

### CONTRACT NO. 9 NLC MUTUAL

10/01/86 - 10/01/87

This contract provided \$1 million excess of \$2 million of coverage enabling the Pool to offer members limits of \$3 million. NLC-MIC is a captive insurance company that reinsures participating state municipal leagues. NLC and the Pool shared this coverage 50/50. This was a period of high membership growth due to the deterioration of the conventional insurance market for public entities. NLC-MIC has a 2000 Best rating of A VI. There were no claims.

### CONTRACT NO. 10 ANECO/FORUM, ET AL

04/01/87 - 04/01/88

This contract was written upon the expiration of Contract No. 6 and also provided \$500,000 coverage over a specific retention of \$500,000, with a \$500,000 deductible in that layer. The rate was decreased from 20% to 12.5% with Aneco and Forum providing 60% of the coverage. The reinsurer's premium was \$867,033. Aneco and Forum are insolvent and considered uncollectable. Imperial Casualty with 10% has been liquidated and will pay no future claims.

The Pool has some claims under this contract. The \$500,000 deductible was largely depleted by payment of the *Kadelak v. Center Line* claim, which cost \$935,950. The *Milford Township* disaster in which three firefighters were killed also occurred during this contract. That claim cost \$1,137,563 and all reinsurers except Aneco and Forum have paid their share. The *Alessandro v DCC* claim also comes under this contract and has been settled for a total cost of \$664,565. The amount due from Aneco and Forum for these claims is about \$380,000 and is considered uncollectable, though claims were filed with the liquidators.

### CONTRACT NO. 11 PRUDENTIAL RE INSURANCE, ET AL

04/01/87 -04/01/88

This contract provided \$1 million excess of \$1 million coverage with Prudential Reinsurance taking 30%, NLC-MIC 20%, and five other companies including Aneco and Forum provided 10% each. The *Milford Township* claim penetrated this layer by about \$137,563 and all reinsurers paid except Aneco and Forum. The reinsurance premium was \$1,500,000 for this layer. The rate was 25% of Pool premium collected for the first

\$1,000,000 layer.

**CONTRACT NO. 12 NLC-MIC**

**10/01/87 - 04/01/88**

This contract renewed Contract No. 9 providing \$1 million excess of \$2 million, with NLC-MIC and the Pool sharing losses in the layer 50/50. It was canceled 04/01/88 and replaced with Contract No. 15. There have been no claims.

**CONTRACT NO. 13 ANECO/FORUM, ET AL**

**04/01/88 - 04/01/89**

This policy renewed Contract No. 10 providing \$500,000 excess of \$500,000 per occurrence. The rate was reduced from 12.5% to 11.75%, while the deductible was decreased from \$500,000 to \$250,000.

Aneco/Forum provided 50% of the coverage, Star Insurance Company provided 20%, and the Classic Syndicate and Coronet Insurance Company provided 15% each. Coronet has since been declared insolvent.

The Pool sustained its first large loss during this policy term when a police shooting resulted in a \$2,007,505 settlement in *Bontekoe v. Ypsilanti*. The Pool paid the first \$500,000 of this claim, as well as the \$250,000 deductible, and the reinsurers paid \$1,250,000 (\$250,000 under this layer and \$1,000,000 under the 2<sup>nd</sup> layer). The claim of *Hollander and Kastner v Flat Rock* cost \$717,490. The Pool retention should have been \$500,000; but Aneco and Forum provided 50% of the coverage and are not paying claims. The other 50% has been recovered.

**CONTRACT NO. 14 PRUDENTIAL REINSURANCE, ET AL**

**04/01/88 - 04/01/89**

This contract provided \$1 million excess of \$1 million coverage on top of Contract No. 13. Prudential Reinsurance took 30% of the coverage, Belvedere 20%, and Aneco, Forum, Classic, and Star 12.5% each. The \$2 million settlement came under this contract and all reinsurers paid their share of the claim. The Pool premium was \$1,345,809 for this layer. Reinsurers paid \$1,000,000 on *Bontekoe v. Ypsilanti*. No further claims that might exceed \$1 million have been identified to date.

**CONTRACT NO. 15 J.H. MINET, LTD., ET AL**

**04/01/88 - 04/01/89**

This contract provided \$3 million excess of \$2 million, allowing the Pool to offer members a \$5 million limit for the first time. Fifty percent of the coverage was placed by the London brokerage of J.H. Minet using a number of Lloyd's syndicates and London reinsurers. The Pool retained \$500,000 while NLC-MIC and Prudential Reinsurance each took \$500,000. The Pool declined to offer this excess layer to Ypsilanti so the *Bontekoe* claim was not covered excess of \$2,000,000. There are no claims in this layer.

In the spring of 1997, J.H. Minet was acquired by Aon, which proceeded to disband Minet North American Reinsurance division through the summer. Effective October 1, 1997, the Pool assigned its account through a Broker of Record letter to J.K. Buckenham Ltd. Responsibility for servicing claims under contracts effective prior to 10/1/97 was included. The assignment of a new broker did not affect Pool coverage; CNA Reinsurance is the Pool's lead London carrier, and the move to Buckenham was seamless as regards Pool reinsurance.

#### **CONTRACT NO. 16 ANECO/FORUM/STAR**

**04/01/89 - 04/01/90**

This is the primary policy providing \$500,000 excess of \$500,000. After suffering a loss in the previous contract, the reinsurers increased the deductible from \$250,000 to \$750,000 in this layer, resulting in an approximate \$500,000 reduction in premium. Aneco and Forum provide 75% of the coverage with Star Insurance Company providing the other 25%. The *Bush v Spring Lake* claim which cost \$4,616,442 fell under this contract and used up \$500,000 of the \$750,000 deductible. Substituting a \$500,000 deductible for a \$500,000 premium was a wise move in that the money saved was safely invested for five years and is available to pay claims while Aneco and Forum would be unable to pay claims and the premiums would have been wasted. The balance of the \$250,000 deductible was used up by *Mazzali v. Munising* which cost \$500,009, *Ferguson and Walker v. Inkster* which cost \$689,800, *Clay v. Fraser* which cost \$509,089, and *Lee v. Richfield Twp/Hilliard v. Davison Twp* which cost \$774,017 (\$51,102 was applied to the deductible and \$222,915 is a reinsurance recovery).

#### **CONTRACT NO. 17 PRUDENTIAL REINSURANCE, ET AL**

**04/01/89 - 04/01/90**

This policy provided \$1 million excess \$1 million coverage with Prudential Reinsurance providing 40%. NLC-MIC provided 30% and Aneco, Forum, and Dorinco provided 10% each. Dorinco, owned by Dow Chemical, has an "A" rating and over \$590 million policyholder's surplus. The rate remained at 22% despite the \$1,000,000 reinsurance claim on the expiring \$1,000,000 excess \$1,000,000 contract. The *Bush v Spring*

*Lake* claim was settled for \$4.6 million and Prudential, NLC and Dorinco paid \$800,000. The \$200,000 from Aneco and Forum is uncollectable and was paid by the Pool.

### CONTRACT NO. 18 NLC-MIC

04/01/89 - 04/01/90

This contract provides \$3 million excess of \$2 million coverage. The Pool retained 10% of the coverage and NLC-MIC provided a contract providing \$2,700,000 in limits. NLC-MIC retains 10% of that limit and reinsurers the rest in London. NLC-MIC reimbursed the Pool \$2,315,472 for the *Bush* claim in February, 1994. The Pool's total premium after reinstatement charges was \$1,185,912.

### \$500,000 EXCESS OF \$500,000

04/01/90 - 04/01/91

Effective April 1, 1990, a decision was made to increase the Pool's retention per occurrence to \$1,000,000 and eliminate the \$500,000 excess of \$500,000 layer.

### CONTRACT NO. 19 PRUDENTIAL REINSURANCE, ET AL

04/01/90 - 04/01/91

Contract No. 17 was renewed, providing \$1,000,000 excess of the Pool \$1,000,000 per occurrence retention; Prudential Re provided 60% and J.H. Minet 40%. The *Trisch v Caro* claim which resulted in a total loss of \$2,629,911 million was covered by this treaty as well as the *Schwartz v. Inkster* with a total cost of \$1,272,887. The reinsurance premium came to \$1,518,685 for this layer and the reinsurers paid \$1,000,000 for *Trisch* and \$242,887 for *Schwartz*. At this point the \$1,000,000 x \$1,000,000 treaties sustained a total \$1,000,000 loss in three consecutive years: *Bontekoe v. Ypsilanti* in 88-89, *Bush v. Spring Lake* in 89-90 and *Trisch v. Caro* in 90-91. There are no other claims that appear to have the potential to reach \$1,000,000.

### CONTRACT NO. 20 NLC-MIC

04/01/90 - 04/01/91

This contract provides \$2,900,000 excess of \$2,000,000. The contract is written by NLC-MIC which retains \$500,000 and reinsures the rest in London. The *Trisch v Caro* claim penetrated this layer by about \$604,715. The premium paid was \$1,200,000 for this layer.

**CONTRACT NO. 21 PRUDENTIAL RE AND J. H. MINET****04/01/91 - 04/01/92**

This contract provides \$1,000,000 excess of the Pool's \$1,000,000 retention. Prudential Reinsurance covers 70% and J.H. Minet 30%. The rate was reduced to 20% for the Prudential portion and 19% for the Minet portion. The premium for this layer was \$1,518,485. To date there are no claims reported that appear likely to penetrate this layer.

**CONTRACT NO. 22 J. H. MINET AND NLC-MIC****04/01/91 - 04/01/92**

This contract provides \$3,000,000 excess of \$2,000,000 with J.H. Minet covering 80% and NLC-MIC 20%. The rate was reduced from 23% to 21% and the reinsurers were paid their minimum premium of \$925,000. There are no claims to date.

**APRIL 1, 1992 - 1993**

There were some basic changes in the Pool's reinsurance structure in 1992. The Pool added a \$5,000,000 excess of \$5,000,000 layer of coverage. Also reappearing as the primary reinsurance layer was \$500,000 excess of \$500,000. These changes reduced the Pool retention to \$500,000 per occurrence, and allowed the Pool to offer members a \$10,000,000 per occurrence limit. Transamerica Reinsurance Co. (now Discover Re), with Johnson & Higgins (now Marsh) as the broker, was selected to participate in all layers of the Pool's reinsurance.

**CONTRACT NO. 23 TRANSAMERICA AND PRUDENTIAL****04/01/92 - 04/01/93**

This contract provides \$500,000 excess of the Pool's primary \$500,000 retention. Transamerica provides 60%, Prudential Re 30% and the Pool has a 10% participation. The rate was 13%. Unlike previous policies for this layer, there is no deductible and no aggregate reinsurance limit. The audited premium came to \$1,258,746 for this layer. Four claims have penetrated this layer to date. *Botright and Gotham v Spaulding Township* cost \$561,282 and *Hale and Maples v Allen Park* cost \$816,469, *Garfield Apts v. Clinton Township* cost \$520,015 and *Buyck and Patton v. Clio* cost \$587,212. There are no claims pending against this layer.

**CONTRACT NO. 24 TRANSAMERICA, ET AL**

**04/01/92 - 04/01/93**

This contract provided \$1,000,000 excess \$1,000,000 coverage with Transamerica taking 35%, Prudential 25%, Minet 30% and NLC-MIC 10%. The rate was 15% of the premium for the first \$1,000,000, a significant reduction. The rate has been coming down steadily since the 27.5% rate for the 4/1/85-86 term, but the reinsurers want to collect enough premium to cover one total loss plus their expenses. As the exposure base increases, the rate decreases resulting in a premium of \$1.3 million to \$1.5 million for the layer. The reinsurers' premium came to \$1,290,891. There are still no claims exceeding \$1,000,000 for this policy term.

**CONTRACT NO. 25 J.H. MINET, ET AL****04/01/92 - 04/01/93**

This \$3,000,000 excess \$2,000,000 is shared by J.H. Minet 60%, Transamerica 20%, Prudential 10% and NLC-MIC 10%. The 19% rate is a significant reduction. The rate for this layer has declined steadily from the original 25% rate for the 4/1/88-89 term, but the reinsurers want to achieve a premium of \$950,000. The premium came to \$1,084,565. To date, there are no losses that appear likely to penetrate this layer.

**CONTRACT NO. 26 TRANSAMERICA, ET AL****04/01/92 - 04/01/93**

This \$5,000,000 excess \$5,000,000 treaty enabled the Pool to offer members a \$10,000,000 limit for the first time. Transamerica provides 50% of the coverage, J.H. Minet 30%, Prudential 10% and NLC-MIC 10%. A \$500,000 deposit premium applies. There are no claims to date.

**CONTRACT NO. 27 TRANSAMERICA RE/PRUDENTIAL RE****04/01/93- 04/01/94**

This contract renewed the \$500,000 excess of \$500,000 written in 1992 with the same reinsurers participating in the same proportions. The only difference is a rate increase from 13% to 14%. The reinsurer's premium came to \$1,511,175. The Pool retained the first \$500,000 plus 10% of the \$500,000 x \$500,000 layer. The *Karl v Blackman Twp* claim cost \$723,746, *Henderson v Fenton* cost \$702,760, the *Lincoln Park sewer backup* claim cost \$1,179,817, the *Lewis/Leet v. Burton* cost \$605,371 and *Urbani v. Roseville* cost \$538,917. There is one open claim, *Grenadier v Bloomfield Hills*, that has an incurred value of \$1,136,191 (McCrumb v Kentwood which was open on last year's memo has an incurred that is now below our retention).



**CONTRACT NO. 28 TRANSAMERICA, ET AL****04/01/93 - 04/01/94**

This contract renewed the \$1,000,000 excess \$1,000,000 contract written in 1992 with the same reinsurers participating in the same proportions. The rate was reduced from 15% to 14%. The reinsurers' premium was \$1,342,422. The *Lincoln Park sewer back up* case penetrated this layer by \$179,817. The *Grenadier v Bloomfield Hills* has the potential to penetrate this layer by \$135,191.

**CONTRACTS NO. 29 AND NO. 30 TRANSAMERICA, ET AL****04/01/93 - 04/01/94**

The \$3,000,000 excess \$2,000,000 and \$5,000,000 excess \$5,000,000 treaties were renewed without change except for a rate reduction from 19% to 18% for the \$3,000,000 excess \$2,000,000 layer. The premium for this layer was \$1,139,531. No losses that are likely to penetrate this layer have been reported to date. In 1993 Transamerica Corporation spun off its Property Casualty Division. The reinsurance company is now known as Discover Re and maintains its "A- VI" 2000 Best rating with surplus of \$54 million. Discover Re is owned by the St. Paul Companies and maintains an A+ XV rating with surplus of almost \$5 billion.

**CONTRACT NO. 31 TIG, ET AL****04/01/94 - 04/01/95**

This contract renewed the \$500,000 excess of \$500,000 layer with some changes. In exchange for a \$500,000 premium reduction, the Pool accepted a \$500,000 deductible. The layer was renewed at a 10.7% rate and a premium of \$1,167,960. With the new deductible, the Pool discontinued its 10% participation in this layer and placed that portion with NLC-MIC. In the past, retention and deductibles in the \$500,000 excess of \$500,000 layer have resulted in significant savings to the Pool. The *LeBarre v Traverse City* claim that cost \$2,507,111 exhausted the Pool's \$500,000 retention in this layer. Four other cases have penetrated this layer: *Bradley v Elk Rapids* cost \$702,615, *Walker v Muskegon Hts.* cost \$699,664, *Terry v Trenton* cost \$1,579,352, *Lewis v. Roseville* cost \$853,975 and *Mix v Clinton Twp* cost \$572,113. There are two other cases that are still open, *Ethridge v. Grosse Pointe Park* has an incurred value of \$1,022,085, and *Sandstone v Novi* has an incurred value of \$3,570,321.

**CONTRACT NO. 32 TIG, ET AL****04/01/94 - 04/01/95**

The \$1,000,000 excess of \$1,000,000 layer renewed with no changes except for a rate reduction from 14% to

13%. The *LeBarre v Traverse City* claim cost \$1,000,000 in this layer and the *Terry v Trenton* claim has penetrate the layer by \$579,352. *Sandstone Assoc* currently has the potential to penetrate this layer by the full \$1,000,000 limit and penetrate the \$3,000,000 xs \$2,000,000 layer by \$1,520,322. *Ethridge* has the potential to penetrate the \$1,000,000 xs \$1,000,000 layer by \$22,085.

## LIABILITY RENEWALS

04/01/95 - 04/01/96

The liability reinsurance was renewed effective 4/1/95 with no changes except for one point rate reductions for the \$1,000,000 excess \$1,000,000 and \$3,000,000 excess \$2,000,000 layers. The \$1,000,000 excess \$1,000,000 went from 13% to 12% and the \$3,000,000 excess \$2,000,000 went from 18% to 17%. These rates had been falling for years. The 12% rate for the \$1,000,000 excess \$1,000,000 layer is less than 1/2 of the 1987 rate of 25%. This reflects the reinsurers' confidence in the quality of Pool operations and stability of losses. The same companies have reinsured the Pool since April 1, 1992 with the only changes being generally downward annual rate adjustments, and the April 1, 1994 change in the Pool retention in the \$500,000 excess of \$500,000 layer from 10% of each claim to \$500,000 annually.

The Pool incurred the largest settlement in its history with a \$10,000,000 limits claim on *Swans v. City of Lansing*. There are four other claims that have exceeded the Pool's \$500,000 retention: *Gearhart v. Three Rivers* cost \$676,004, *Rank v. Coldwater Board of Public Utilities* cost \$1,030,003 (which exhausted the Pool's retention), *David Shulte v Novi* cost \$589,448 and *Walters v. Grosse Pointe Park* cost \$1,817,920. There is one open claim with the potential to exceed our retention: *Roberts v. Midland* has an incurred value of \$798,866.

## LIABILITY RENEWALS

04/01/96 - 04/01/97

The liability reinsurance was renewed 4/1/96 with no changes except for significant rate reductions. All reinsurers continue to participate in the same proportions as expiring. Prudential Reinsurance was spun off in a public offering and became Everest Re. It has an A+ XII 2000 Best rating and a surplus of more than \$1 billion.

There are five claims thus far that have settled which exceed the Pool's \$500,000 retention. *Hansknecht/Cook v. Howard City* cost \$1,048,853 (which exhausted the Pool's retention) and *Kuciszewski & Johnson v S. Lyon* cost \$728,800, *Birmingham v Fruitport Twp* cost \$581,443, *Smith v. New Baltimore* cost \$537,801 and

*Kalajian v. Grosse Pte Woods* cost \$1,074,972. One other **open** claim has the potential to exceed the Pool's retention: *Residents Mt. Clemens v City of Mt Clemens* has an incurred value of \$822,973.

## LIABILITY RENEWALS

04/01/1997 - 04/01/2000

Pool administration negotiated significant structural changes in the Pool's first reinsurance layer (\$500,000 excess of \$500,000) effective April 1, 1997. After years of declining reinsurance rates, it was deemed prudent to enter into a three-year swing rate agreement with reinsurers, for the purpose of longer term stability in Pool reinsurance rates.

The base premium for each annual term of the first reinsurance layer is 8.50% of the Pool's gross premium for the first \$1,000,000 each occurrence for subject business. Twenty-four months after expiration of the first annual term, the premium shall be adjusted based upon Actual Gross Written Premium x 5.0% + Incurred Losses subject to a maximum of Actual Gross Written Premium x 15.5% (for 1997-98 and 1998-99) and 16.5% (for 1999-2000). The premiums and losses in the Swing Rate Calculation will be cumulative as described below:

- |  |                                     |
|--|-------------------------------------|
| 1 <sup>st</sup> Swing calculation on 4/1/2000: | 4/1/97-3/31/98 Reinsurance Period   |
| 2 <sup>nd</sup> Swing calculation on 4/1/2001: | 4/1/97-3/31/99 Reinsurance Period   |
| 3 <sup>rd</sup> Swing calculation on 4/1/2002: | 4/1/97-3/31/2000 Reinsurance Period |

Swing calculation is performed each year on April 1 until all claims are closed.

The minimum and maximum percentages increase if the Pool cancels this contract prior to April 1, 2000. The reinsurer cannot cancel prior to expiration.

This contract was proposed and structured by J.H. Minet in London, and accepted by other participating reinsurers. To recognize the contributions of J.H. Minet in improving the Pool's reinsurance stability, 30% of this layer was placed with CNA Reinsurance in London through J.H. Minet. The participation of Discover Re was reduced from 60% to 40%, and the participation of Everest Re was reduced from 30% to 20%. NLC Mutual still participates with 10%.

Also, Clash Coverage *on the US Placement* was included for the first time in the Pool's reinsurance placements. If more than one Pool member is involved in the same occurrence, and each member is liable for a judgment in excess of the Pool's \$500,000 retention, the US reinsurers will pay up to a per occurrence aggregate limit of \$1,000,000 to ensure that the Pool does not pay more than one \$500,000 retention for each occurrence.

Also, all Sunset Provisions were deleted from the Pool's reinsurance placements through Lloyds and other London reinsurers, and Sunrise Provisions were added. Previously, our London placements would not have responded to claims first filed seven years after expiration of the year in which the occurrence took place.

These enhancements effectively delete this limitation, and provide the Pool full occurrence protection across all layers for all classes of subject business.

Lastly, a \$5 million aggregate excess policy was placed with Discover Re. This insurance, which is required by the Michigan Insurance Bureau for group self-insureds, was first mentioned under Contract # 8. It had not been placed by the Pool for many years. State regulators were aware that this coverage was not placed, and despite our requests in writing over the years for written approval from the Michigan Insurance Bureau that the requirement was waived for the Pool, it was never received. When the Michigan Insurance Bureau again asked Pool administration in early 1997 why the coverage wasn't placed -- ignoring our previous correspondence that asked them for an opinion -- it was decided to purchase this easily available coverage and avoid any potential concern of state regulators.

Reinsurance layers above \$500,000 excess \$500,000 were renewed for annual terms and rates as expiring, with all reinsurers maintaining their expiring participation percentages. The rates effective 4/1/97 for these layers was 10.25% for the \$1M x \$1M Layer; 14.35% for the \$3M x \$2M Layer; and 12.00% for the \$5M x \$5M Layer.

April 1, 1998 Anniversary:

\$500,000 x \$500,000: Reinsurers agreed to reduce the 24 maximum rate from 16.5% to 16.0%.

\$1M x \$1M: Reinsurers reduced the rate for this layer from 10.25% to 9.97%.

\$3M x \$2M: Reinsurers reduced the rate for this layer from 14.35% to 12.97%. They also agreed to a No Claims Bonus (NCB) if there are no losses to this layer.

\$5M x \$5M: Reinsurers, with the exception of Discover Re, agreed to reduce the minimum premium to \$300,000 (USF&G will reduce their minimum from \$425,000 to \$400,000)

April 1, 1999 Anniversary:

\$500,000 x \$500,000: Reinsurers agreed to adjust the maximum rate from 15.5% to 16.5%.

\$1M x \$1M: No changes.

\$3M x \$2M: No changes.

\$5M x \$5M: Reinsurers increased the rate for this layer from 12.0% to 14.0%. The minimum premium for this layer for all participants shall be \$400,000.

There are ten claims that have exceeded or have the potential to exceed the Pool's \$500,000 retention. *Salah v. Oak Park* cost \$2,049,386; *Ockert v. Ionia* cost \$5,000,000, *Teed v. Hazel Park* incurred is \$1,937,772, *Pohutski/Dobbs v. Allen Park/Melvindale* incurred is \$1,342,171 (clash claim), *Sickels & Shadoian v. Beverly Hills & Birmingham* incurred is \$1,680,670 (clash claim), *Class Action Powers v. Alpena* incurred is \$818,331, *Park v. Brownstown Twp* incurred is \$1,748,241, *West v. Wyandotte/Manska v. River Rouge/Dobbs v. Melvindale* incurred is \$1,326,01 (clash claim), *Gilbeau v. Romulus* incurred is \$636,974

and *Kelly v. Marine City* incurred is \$708,220.

### **CITY OF ST. CLAIR**

**NEW \$5M xs \$10M**

**10/1/1999 – 9/30/2000**

For the first time the Pool offered an individual member a \$5,000,000 xs \$10,000,000 limit. This excess layer was placed through Discover Re which was retroceded to Employers Re (paper does not recognize this). The premium was \$1,000 per \$1,000,000 of coverage.

### **LIABILITY RENEWALS**

**04/01/2000 - 04/01/2001**

There was considerable uncertainty going into this reinsurance renewal. Before the Supreme Court were two cases that, once decided, would have significant consequences for our reinsurers.

**First Sewer Back Ups:** The court was asked to clarify the law. The court could have decide 1) there is no statutory trespass nuisance exception to immunity (a most favorable outcome); 2) a strict liability standard exists (worst case scenario); or 3) to recognize a trespass nuisance exception to immunity, but modify it to provide a negligence standard (considered the most likely outcome). We had conveyed to the reinsurance participants that if unfavorable news did come from this court opinion, quick underwriting action would be taken to protect them. In the meantime, however, the Sewer Back up losses were growing exponentially and reinsurance premium increases would be in order. The Supreme Court response, received in May 2000, continued to hold municipalities strictly liable for the back up of sewers and drains. The Pool, in response, drafted an Absolute Sewer and Drain Exclusion and began attaching it to member renewal policies beginning with July 1, 2000. Had this decision by the Pool administrator not been made immediately upon hearing of the Supreme Court's opinion, the storm of September 2000 would have crippled the Pool.

**Second Robinson v City of Detroit:** The court virtually eliminated municipal liability for police pursuits and also dramatically limited the ability of plaintiffs to pursue claims against individual government employees. This decision was received in September 2000.

**The renewal:** The Swing Rate Insurance Plan was eliminated. The Pool opted to take a three-time corridor deductible [\$1,500,000 in total] on the 1<sup>st</sup> Layer, \$500,000 x \$500,000. All four layers of the reinsurance program had rate increases and for the first time since 1992, the US rates and London rates differed:

1 <sup>st</sup> Layer \$500,000 x \$500,000:	US: 6.47%	London: 12.93%
2 <sup>nd</sup> Layer \$1,000,000 x \$1,000,000:	US: 11.36%	London: 12.72%
3 <sup>rd</sup> Layer \$3,000,000 x \$2,000,000:	US: 14.46%	London: 15.66% No Claims Bonus dropped
4 <sup>th</sup> Layer \$5,000,000 x \$5,000,000:	US: 16.19%	London: 16.66%

Also, it was agreed to by all reinsurers that the participation across each layer be constant and the following was agreed to:

Discover Re's 38% London's 35% Everest Re's 17% and NLC-MIC's 10%

### **CITY OF ST. CLAIR**

**\$5M xs \$10M**

**10/1/2000 – 9/30/2001**

This excess layer of \$5,000,000 xs \$10,000,000 for the City of St Clair was renewed.

### **LIABILITY RENEWALS**

**04/01/2001 - 04/01/2002**

The Pool opted to take a two-time corridor deductible [\$1,000,000 in total] on the 1<sup>st</sup> Layer, \$500,000 xs \$500,000, – this replaced the three-time corridor deductible on the previous contract. It was important to the domestic reinsurers this year that US rates for each layer mirror the London rates (unlike last year). Therefore, rates were quoted “net” and brokerage fees were “in addition to”:

1 <sup>st</sup> Layer, \$500,000 xs \$500,000:	Rate 11.05%	London Commission 1.95%
2 <sup>nd</sup> Layer, \$1M xs \$1M:	Rate 12.75%	London Commission 2.25%
3 <sup>rd</sup> Layer, \$3M xs \$2M:	Rate 16.15%	London Commission 2.85%
4 <sup>th</sup> Layer, \$5M xs \$5M:	Rate 17.855	London Commission 3.15%

We paid flat commission to Marsh of \$125,000.

We paid flat commission to Community Agency of \$33,700.

The overall result of the renewal was an approximate 25% premium increase which was somewhat expected since the loss ratio for the reinsurers had been creeping up and was 97% at the time of renewal. And although we excluded Sewer Back Up [SBU] losses by 7/1/01 and had the benefit of Robinson v. City of Detroit, it was still necessary to pay some back to the reinsurers, mostly because of SBU losses. Total incurred SBU losses to our reinsurers at the time of this writing amount to \$6,609,186 for the period 1993 through 2000. Prior to '93,

SBU claims annually had averaged about \$250,000, never impacting the reinsurers. From 1993 through 2000, SBU losses were costing the reinsurers an average of \$944,000 annually.

### **CITY OF ST. CLAIR**

**\$5M xs \$10M**

**10/1/2001 – 9/30/2002**

This excess layer of \$5,000,000 xs \$10,000,000 for the City of St Clair was renewed. However, due to market conditions in 2002, Meadowbrook was requested to notify the City of St. Clair that this layer would not be renewed in 2002. We did not want to use up capacity of our current reinsurers for this single placement and were concerned that should there be a loss to this layer, it would adversely affect the entire program.

### **LIABILITY RENEWALS**

**4/1/2002 - 4/1/2003**

The Pool retained a two-time corridor deductible for this reinsurance term, as well as renewing with the same layers: \$500,000 excess of \$500,000; \$1 million excess of \$1 million; \$3 million excess of \$2 million; and \$5 million excess of \$5 million. The Pool once again self-insured the first \$500,000 per occurrence. New this year is a retention of eight per cent of the \$5 million excess of \$5 million layer. Once again, rates were quoted net with brokerage fees added.

Changes in the structure from the previous year were as follows:

- ✓ All reinsurers are domestic. London reinsurers did not participate this year due to the inability of our London broker to submit a quotation in time for the April 1 renewal.
- ✓ Discover Re increased its participation to 50% across all layers.
- ✓ NLC Mutual and Everest Re increased its participation to 25% for the first three reinsurance layers, and 17% for the fourth (top) layer.
- ✓ The Pool retained 8% of the fourth (top) reinsurance layer.
- ✓ Marsh USA received one brokerage fee of \$275,00 for both the Property and Casualty reinsurance placements. The Community Agency received a brokerage fee of \$87,000.
- ✓ Terrorism coverage was limited to one loss in the first three layers, and excluded in the fourth layer.

1 <sup>st</sup> Layer, \$500,000 xs \$500,000:	Rate 11.05%	One treaty limit for terrorism losses
2 <sup>nd</sup> Layer, \$1M xs \$1M:	Rate 18.78%	One treaty limit for terrorism losses
3 <sup>rd</sup> Layer, \$3M xs \$2M:	Rate 17.00%	One treaty limit for terrorism losses
4 <sup>th</sup> Layer, \$5M xs \$5M:	Rate 23.06%	Terrorism excluded in treaty

The City of St. Clair did not renew with the Pool effective October 1, 2002.

## LIABILITY RENEWALS

4/1/2003 – 4/1/2004

The Pool retained a two-time corridor deductible for this reinsurance term, as well as renewing with the same layers: \$500,000 excess of \$500,000; \$1 million excess of \$1 million; \$3 million excess of \$2 million; and \$5 million excess of \$5 million. The Pool once again self-insures the first \$500,000 per occurrence. Domestic rates were quoted net with brokerage fees added. London has no additional brokerage fees.

Changes in the structure from the previous year were as follows:

- ✓ Discover Re decreased its participation From 50% to 45% across all layers.
- ✓ Everest Re retained its participation at 25% across all layers.
- ✓ NLC Mutual decreased its participation to 20% from 25% across all layers.
- ✓ Lloyds of London returned to participate at 10% across all layers.
- ✓ Marsh USA received one brokerage fee of \$305,00 for both the Property and Casualty reinsurance placements. The Community Agency received a brokerage fee of \$78,000.
- ✓ Terrorism coverage was limited to one loss of the treaty limit.
- ✓ An experience rating plan was introduced. Casualty premiums were increased. Reinsurance rates were adjusted from the prior contract.

1 <sup>st</sup> Layer, \$500,000 xs \$500,000:	Rate 9.25%	One treaty limit for terrorism losses
2 <sup>nd</sup> Layer, \$1M xs \$1M:	Rate 16.50%	One treaty limit for terrorism losses
3 <sup>rd</sup> Layer, \$3M xs \$2M:	Rate 17.00%	One treaty limit for terrorism losses
4 <sup>th</sup> Layer, \$5M xs \$5M:	Rate 21.00%	One treaty limit for terrorism losses

## LIABILITY RENEWALS

4/1/2004 – 4/1/2005



The Pool retained a two-time corridor deductible for this reinsurance term, as well as renewing with the same layers: \$500,000 excess of \$500,000; \$1 million excess of \$1 million; \$3 million excess of \$2 million; and \$5 million excess of \$5 million. The Pool once again self-insured the first \$500,000 per occurrence. Domestic rates were quoted net with brokerage fees added. London has no additional brokerage fees.

Changes in the structure from the previous year were as follows:

- ✓ Discover Re retained its participation at 45% across all layers.
- ✓ Everest Re retained its participation at 25% across all layers.
- ✓ NLC Mutual retained its participation at 20% across all layers.
- ✓ Lloyds of London returned to participate at 10% across all layers.
- ✓ Marsh USA received one brokerage fee of \$305,000 for both the Property and Casualty reinsurance placements. Marsh receives no contingent commissions.
- ✓ The Community Agency received a brokerage fee of \$75,000.
- ✓ Terrorism coverage was limited to one loss of the treaty limit.
- ✓ Casualty premiums remain stable relative to exposure.

1 <sup>st</sup> Layer, \$500,000 xs \$500,000:	Rate 9.25%	One treaty limit for terrorism losses
2 <sup>nd</sup> Layer, \$1M xs \$1M:	Rate 16.50%	One treaty limit for terrorism losses
3 <sup>rd</sup> Layer, \$3M xs \$2M:	Rate 17.00%	One treaty limit for terrorism losses
4 <sup>th</sup> Layer, \$5M xs \$5M:	Rate 21.00%	One treaty limit for terrorism losses

## LIABILITY RENEWALS

4/1/2005 -- 4/1/2006

The Pool retained a two-time corridor deductible for this reinsurance term, as well as renewing with the same layers: \$500,000 excess of \$500,000; \$1 million excess of \$1 million; \$3 million excess of \$2 million; and \$5 million excess of \$5 million. The Pool self-insured the first \$500,000 per occurrence. Domestic rates were quoted net with brokerage fees added. London has no additional brokerage fees.

Changes in the structure from the previous year were as follows:

- ✓ Discover Re reduced its participation 5% to 40% across all layers.
- ✓ Everest Re retained its participation at 25% across all layers.
- ✓ NLC Mutual retained its participation at 20% across all layers.
- ✓ Lloyds of London increased participation 5% to 15% across all layers.

- ✓ Marsh USA received one brokerage fee of \$305,000 for both the Property and Casualty reinsurance placements. Marsh receives no contingent commissions.
- ✓ Terrorism coverage was limited to one loss of the treaty limit.
- ✓ Casualty premiums remain stable relative to exposure.

1 <sup>st</sup> Layer, \$500,000 xs \$500,000:	Rate 9.25%	One treaty limit for terrorism losses
2 <sup>nd</sup> Layer, \$1M xs \$1M:	Rate 16.50%	One treaty limit for terrorism losses
3 <sup>rd</sup> Layer, \$3M xs \$2M:	Rate 17.00%	One treaty limit for terrorism losses
4 <sup>th</sup> Layer, \$5M xs \$5M:	Rate 21.00%	One treaty limit for terrorism losses

### PROPERTY REINSURANCE

The Pool maintains property reinsurance to limit the Pool's maximum loss from one occurrence and to cap the Pool's annual loss retention. The current arrangement has been in place since January 1, 1993. Unlike the liability reinsurance, which renews on April 1, the Property reinsurance is on a calendar year renewal and matches the Pool's fiscal year. Since 1993, the Pool has retained the first \$100,000 of each occurrence. The annual aggregate retention has been 25% of booked premium up until 1997 when it was changed to a flat \$1,500,000. American Reinsurance Company provides \$2,500,000 excess of the Pool and Great American Insurance Company covers excess of \$2,600,000 up to the total value of all property covered by the Pool. American Re has an A++ Best rating, and Great American has an A rating. Coverage is placed through Marsh Inc..

This property arrangement has worked well, giving the Pool unlimited capacity, protecting against large losses and assuring that the Pool will make a profit on this coverage part. The reinsurance rate remained the same at 39% of the Pool premium for the first four years. Effective January 1, 1997, the rate was reduced to 36.8%. Also, in return for a three-year rate guarantee, the Pool agreed to drop the profit-sharing provision. Due to good performance, a Contingent Commission was added back January 1, 1999.

This reinsurance was effective **January 1, 1993** and the Pool had its two largest fires in April. The reinsurance worked as planned. The Pool retained \$100,000 and American Re paid \$572,764 for the Charlevoix fire and \$123,917 for the Hazel Park fire. **January 1, 1994** losses over \$100,000 only cost American Re \$89,193. Unprecedented cold weather caused a large number of losses and the total exceeded the Pools aggregate attachment point. American Re paid \$113,153 for aggregate losses. **January 1, 1995** was a very good year for Pool property coverage. Two losses exceeded the \$100,000 retention by \$105,680 and total losses came to \$885,329, well below the annual attachment point. **January 1, 1996** was the Pool's worst year ever for

property losses. The *Gogebic Wastewater Collapse* has exceeded the retention by \$382,115 and total losses exceed \$1,795,000. The reinsurance is working as it should. American Re has paid losses exceeding the aggregate.. The Aggregate received for 1996 has totaled \$500,083. **January 1, 1997** resulted in two claims exceeding the retention by \$287,549. Total losses should not exceed the \$1,500,000 retention. **January 1, 1998** has resulted in one claim (*5/31/98 multiple claimant storm*) thus far exceeding the retention by \$482,267. **January 1, 1999** has resulted in three claims that have exceeded the Pool retention by \$282,050.. **January 1, 2000** has resulted in two claims that have the potential to exceed the SIR by \$703,891 **January 1, 2001**: The general insurance market (and more specifically the property market) has been hardening over the last year and this has impacted the Pool in 2001. And although the Pool's property experience is excellent, a provision was added to the reinsurance contract that limited coverage for Flood Zone A (the Pool was not isolated in this action). Zone A will be limited to \$2,500,000 per occurrence, annual aggregate. Other than Flood Zone A, the Pool will continue to maintain Flood Coverage of \$100,000,000 per occurrence, annual aggregate. The Pool responded to this new provision in the reinsurance contract by amending the coverage document to limit claims in Flood Zone A to \$100,000 per occurrence, annual aggregate. To date there is one claim that has the potential to exceed the Pool's SIR by \$278,437.

**January 1, 2002**: This was an especially difficult reinsurance renewal as the hard market continued and the events of September 11 caused further instability. There were several changes that took place which impacted the Pool's property reinsurance program: 1) We could no longer secure a blanket TIV limit. The Pool secured a layered program: \$2,500,000 x \$100,000 Pool retention Am Re, \$70,000,000 x \$2,500,000 Great American; \$50,000,000 xs \$72,500,000 Hartford Stm Boiler; \$100,000,000 xs \$122,500,000 Liberty Mutual; 2) The Boiler & Machinery was moved from Travelers to Hartford Stm Boiler; 3) The exclusions of Mold, Terrorism and Cyber Risk now appeared in the contracts; 4) The Pool's Aggregate was increased from \$1,500,000 to \$2,500,000; and 5) The overall price increase was 35%. This was considered to be a better than average property reinsurance renewal. The long term relationship with Am Re and Great American, coupled with our excellent results, helped in our particular case. At this time there is one loss, a fire in the City of Jackson, losses that will exceed the Pool's retention.

**January 1, 2003**: There were several changes that took place which impacted the Pool's property reinsurance program: 1) We could no longer secure a blanket TIV limit. The Pool secured a layered program: \$5,000,000 x \$100,000 Pool retention Munich-American Risk Partners, \$70,000,000 x \$5,000,000 Great American; \$50,000,000 xs \$75,000,000 Hartford Stm Boiler; \$100,000,000 xs \$125,000,000 Liberty Mutual; 2) The Pool's Aggregate was increased from \$2,500,000 to \$2,597,465; and 3) Terrorism coverage was obtained for the 70,000,000 layer with Great American. This was considered to be a better than average property reinsurance renewal. The long term relationship with Am Re and favorable losses helped lower premium

16%. At this time there are three losses that will exceed the Pool's retention; Albion – property damage Total Incurred: \$ 140,000, City of Norway – machinery Total Incurred: \$ 154,111, City of Sturgis – fire Total Incurred: \$ 210,000

**January 1, 2004:** Several changes took place on the Pool's property reinsurance program: 1) The Pool maintained a layered program, blanket TIV limits remain unobtainable. The carrier for the : \$5,000,000 x \$100,000 layer was changed to Discover Re: The \$70,000,000 x \$5,000,000 Layer was changes to St. Paul; Hartford Stm Boiler continues the \$50,000,000 xs \$75,000,000 layer; and Liberty Mutual continues the \$100,000,000 xs \$125,000,000, top layer; 2) The Pool's Aggregate was decreased to \$2,500,000 from \$2,597,465. Changes were made due to pricing increases from incumbents. This is considered a better than average property reinsurance renewal. A long term relationship with Discover Re with respect to the Pool's casualty coverage helped. We are a familiar organization. At this time there are two losses that will exceed the Pool's retention; Kingsford – City Hall fire Total Incurred: \$ 947,962 and Granville – DPW fire Total Incurred: \$ 255,000.

**January 1, 2005:** The Pool's property reinsurance program renewal was stable : 1) The Pool maintained a layered program, blanket TIV limits remain unobtainable. It was possible to reduce the number of participants providing the limit of \$225,000,000. Discover Re renewed for the \$5,000,000 xs \$100,000 layer. Three higher limit layers \$70,000,000 xs \$5,000,000, the \$50,000,000 xs \$75,000,000 layer and the \$100,000,000 xs \$125,000,000 was consolidated with one reinsurer, Federal Insurance Co of the Chubb Group. The change was made to consolidate the layers for better pricing. The Pool's Aggregate attachment was increased to \$2,800,000 from \$2,500,000. By year end 2005 there was one loss that will exceed the Pool's retention; Norway – machinery Total Incurred \$1,850,000.

c. Amy Kukla

Thomas J. Wolff

# **Michigan Municipal League Liability & Property Pool**

## **2005 Reinsurance Structure**

### **Property**

**Federal Ins. Co./Chubb**

\$220 million  
excess of \$5 million

**Discover Re**

\$4.9 million  
excess of \$100,000

**\$100,000 Pool Retention**

per occurrence,  
\$1.5 million aggregate  
retention

# Michigan Municipal League Liability & Property Pool

## Reinsurance Structure Casualty

### **5 million x of 5 million**

40% Discover Re  
25% Everest Re  
20% NLC-MIC  
15% Lloyd's of London

### **3 million x of 2 million**

40% Discover Re  
25% Everest Re  
20% NLC-MIC  
15% Lloyd's of London

### **1 million x of 1 million**

40% Discover Re  
25% Everest Re  
20% NLC-MIC  
15% Lloyd's of London

### **500,000 x of 500,000**

(two \$500,000 deductibles  
apply)

40% Discover Re  
25% Everest Re  
20% NLC-MIC  
15% Lloyd's of London

### **500,000 per occurrence**

Pool Retention

### **5,000,000 Aggregate Excess**

100% Discover Re

# Statement of Actuarial Opinion

## Audited Financial Statement of the Michigan Municipal League Liability and Property Pool

For the Year Ended December 31, 2005

Page 1 of 3

### IDENTIFICATION

I, Shelley Taitz Davidson, am associated with the Tillinghast business of Towers Perrin. I am a member of the American Academy of Actuaries and meet its qualification standards for signing statements of actuarial opinion regarding property and casualty insurance company statutory Annual Statements. I am an Associate of the Casualty Actuarial Society. I have been requested by the Michigan Municipal League Liability and Property Pool ("Pool") to render this opinion.

### SCOPE

I have examined the reserves listed below, as shown in the Financial Statement of the Pool as prepared for filing with state regulatory officials as of December 31, 2005.

	<u>Amount</u>
A. Net reserves for losses and loss adjustment expense	\$10,512,485
B. Net reserves for incurred but not reported losses and loss adjustment expense	<u>22,945,815</u>
	\$33,458,300

My examination of the loss and allocated loss adjustment expense reserves was based upon data and related information prepared by the Pool. In this regard, I relied on Lawrence D. Peck, Risk Manager, Michigan Municipal League Liability and Property Pool, as to the accuracy and completeness of the data. I evaluated the data used directly in my analysis for reasonableness and consistency. My evaluation did not reveal any data points materially affecting my analysis that fell outside of the range of reasonable possibilities. In performing this evaluation, I have assumed that the Pool (a) used its best efforts to supply accurate and complete data and (b) did not knowingly provide any inaccurate data. In other respects, my examination included the use of such actuarial assumptions and methods and such tests of calculations as I considered necessary.

My review was limited to items A and B above, and did not include an analysis of any income statement items or other balance sheet items. My opinion on the reserves is based upon the assumption that all reserves are backed by valid assets, which have suitably scheduled maturities and/or adequate liquidity to meet cash flow requirements.

# **Statement of Actuarial Opinion**

## **Audited Financial Statement of the Michigan Municipal League Liability and Property Pool**

For the Year Ended December 31, 2005

Page 2 of 3

My opinion on the loss and allocated loss adjustment expense reserves net of ceded reinsurance assumes that all ceded reinsurance is valid and collectible. The Pool has represented to me that it knows of no uncollectible reinsurance cessions. I have not anticipated any contingent liabilities that could arise if the reinsurers do not meet their obligations to the Pool as reflected in the data and other information provided to me.

I do not believe that there are significant risks and uncertainties that could result in material adverse deviation in the loss and allocated loss adjustment expense reserves. In consideration of the use of this opinion for purposes of solvency monitoring, I consider \$6.7 million to be material for the Pool, calculated as 25% of members' equity after adjustment of the reserves to a nominal basis. The absence of such risks and uncertainties at this time does not imply that factors will not be identified in the future as having been a significant influence on the Pool's reserves.

Loss and allocated loss adjustment expense reserves have been discounted to present value based on actuarially derived projected payment patterns and a 4.0% interest rate. I am not expressing an opinion on this rate. The amount of discount is \$2.6 million.

Reserves are established gross of anticipated salvage and subrogation.

### **OPINION**

In my opinion, the amounts recorded in the audited financial statement for the sum of items A and B above:

1. are consistent with amounts computed in accordance with the Casualty Actuarial Society Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense Reserves and relevant standards of practice promulgated by the Actuarial Standards Board; and
2. make a reasonable provision for all unpaid loss and allocated loss expense obligations of the Pool under the terms of its contracts and agreements.



# Statement of Actuarial Opinion

## Audited Financial Statement of the Michigan Municipal League Liability and Property Pool

For the Year Ended December 31, 2005

Page 3 of 3

### VARIABILITY

In evaluating whether the reserves make a reasonable provision for unpaid losses and allocated loss expenses, it is necessary to project future loss and allocated loss adjustment expense payments. Actual future losses and allocated loss adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections.

Further, my projections make no provision for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in the Pool's historical database or which are not yet quantifiable.

An actuarial report, including underlying work papers supporting the findings expressed in this statement of actuarial opinion, has been provided to the Pool.

This statement of opinion is solely for the use of, and only to be relied upon by, the Pool and the State of Michigan Insurance Department with which it files its audited financial statement.

Date: April 24, 2006

  
Shelley Taitz Davidson, ACAS, MAAA  
Consulting Actuary  
Towers Perrin  
175 Powder Forest Drive  
Weatogue, CT 06089-9658  
(860) 843-7015

Pool Membership at 12-31-05

24th District Court	City of Buchanan
33rd Judicial District Court	Buena Vista Charter Township
34th District Court	Bullard Sanford Memorial Library
48th District Court	City of Burton
Acme Township	City of Cadillac
City of Adrian	Village of Caledonia
Village of Akron	Village of Camden
City of Albion	Village of Capac
Alcona County	Village of Carney
City of Allen Park	Carney-Nadeau Sewer & Water Authority
Almont District Library	Caseville Harbor Commission
Ann Arbor District Library	Village of Casnovia
Village of Armada	City of Caspian
Village of Ashley	Caspian Gaastra Fire Authority
Village of Athens	Cass District Library
Au Gres - Sims Police	Village of Cassopolis
City of Au Gres	Cassopolis Area Utilities Authority
Village of Augusta	Castleton Township
Bacon Memorial District Library	City of Cedar Springs
City of Bad Axe	City of Center Line
Village of Bancroft	Village of Central Lake
City of Bangor	Central Operations for Police Service
Bay Township	Village of Centreville
Bear Creek Township	City of Charlevoix
City of Beaverton	Charlevoix Public Library
City of Belding	City of Charlotte
Belvidere Township	Charlotte Community Library
Bentley Township	City of Chelsea
Benton Harbor/St. Joseph Joint Wastewater	Chelsea Recreation Council
Benton Twp/Pottersville District Library	Village of Chesaning
Village of Benzonia	Chocolay Charter Township
City of Berkley	City of Clare
Berlin Township	Village of Clarkston
Village of Berrien Springs	Village of Clinton
Berrien Springs/Oronoko Township Police	Clinton Township
City of Big Rapids	Clio Area Fire Authority
Village of Birch Run	Clio Area Library Board
City of Birmingham	City of Coldwater
Village of Blissfield	Coldwater Board of Public Utilities
Village of Bloomingdale	Community Fire Association
Boyne District Library	Village of Concord
Village of Breedsville	City of Coopersville
Bridgewater Township	City of Corunna
City of Bridgman	Cromaine District Library
City of Brighton	City of Croswell
Brighton District Library	City of Crystal Falls
Village of Britton	Village of Daggett
Village of Brooklyn	City of Davison
Brownstown Charter Township	City of DeWitt

Dewitt Public Library  
Dexter District Library  
Village of Dimondale  
Village of Douglas  
Dover Township  
Downtown Development Authority of Davison  
Village of Dryden  
City of Durand  
City of East Jordan  
E Lansing/MeridianTwp Water-Sewer  
City of Eaton Rapids  
Village of Edmore  
Village of Elberta  
Village of Elk Rapids  
Elk Rapids District Library  
Village of Elsie  
City of Essexville  
City of Evart  
Farmington Community Library  
City of Fennville  
City of Ferrysburg  
Village of Fife Lake  
City of Flushing  
Flushing Charter Township  
Village of Forestville  
Village of Fowler  
Village of Fowlerville  
City of Frankenmuth  
City of Fraser  
City of Fremont  
Village of Fruitport  
City of Gastra  
City of Galesburg  
Village of Galien  
City of Gibraltar  
City of Gladwin  
Gladwin Rural Urban Fire Department  
City of Gobles  
Village of Grand Beach  
City of Grand Blanc  
Grand Blanc District Library  
City of Grand Haven  
Grand Haven/Spring Lake Wastewater Treatment  
Grand Rapids Charter Township  
City of Grandville  
Village of Grass Lake  
City of Grayling  
City of Greenville  
City of Grosse Pointe  
City of Grosse Pointe Farms  
Grosse Pointe-Clinton Refuse Disposal

City of Harbor Beach  
Harbor Beach Library District  
City of Harbor Springs  
Harbor Springs Area Sewage Disposal  
Harbor Springs Fire Authority  
City of Harper Woods  
City of Harrison  
City of Hart  
City of Hartford  
City of Hastings  
Hazel Park Memorial Library  
Herrick District Library  
Village of Hersey  
Higgins Township  
Village of Hillman  
Holly Township  
Village of Hopkins  
Village of Howard City  
Howe Memorial Library  
Howell Carnegie District Library  
City of Hudson  
City of Hudsonville  
Hume Township  
City of Imlay City  
City of Ionia  
Ionia Community Library  
Ionia Wastewater Treatment Authority  
City of Iron River  
City of Ithaca  
City of Jackson  
Village of Jonesville  
Village of Kaleva  
Village of Kalkaska  
Village of Kent City  
City of Kentwood  
Village of Kinde  
City of Kingsford  
Village of Kingston  
Koehler Township  
City of Laingsburg  
Village of Lake Odessa  
Village of Lake Orion  
Laketown Building Authority  
Laketown Township  
Village of Lakeview  
Village of Lakewood Club  
City of Lathrup Village  
Law Enforcement Officers  
Village of Lawrence  
Village of Lawton  
Lawton Fire Department

Village of Lennon  
City of Leslie  
Village of Lexington  
City of Lincoln Park  
City of Linden  
Loose Senior Citizens Center  
Loutit District Library  
City of Lowell  
Lowell Charter Township  
Village of Lyons  
Lyons Township District Library  
City of Mackinac Island  
Village of Mackinaw City  
Macomb Township  
City of Manistee  
Maple Grove Township  
Maple Valley Township  
Village of Marion  
City of Marlette  
City of Marquette  
City of Marshall  
Village of Martin  
City of Marysville  
Masonville Township  
Mathias Township  
Village of Mattawan  
Village of Maybee  
McMillan Township  
Village of Melvin  
City of Memphis  
Village of Mendon  
City of Menominee  
Meridian Charter Township  
Village of Metamora  
Village of Michiana  
Michigan Public Power Agency  
Mid Michigan Water Authority  
Village of Middleville  
City of Midland  
Midland City and County Joint Building  
Authority  
City of Milan  
Milan Public Library  
Village of Milford  
Village of Millersburg  
Missaukee County  
City of Monroe  
Montague Fire District  
Montcalm Township  
Montcalm County  
City of Morenci

Village of Morrice  
City of Mount Morris  
Village of Muir  
City of Munising  
City of Muskegon Heights  
Village of Nashville  
Nelson Township  
City of New Baltimore  
Village of New Era  
Village of New Haven  
City of Newaygo  
Newaygo Fire District  
City of Niles  
Niles District Library  
Village of North Branch  
City of North Muskegon  
North Star Township  
Northern Michigan Public Service Academy  
City of Norton Shores  
City of Norway  
City of Oak Park  
Village of Ontonagon  
Orange Township  
Orion Township Public Library  
Village of Ortonville  
Village of Otisville  
City of Otsego  
Ottawa County Central Dispatch  
Village of Otter Lake  
Village of Pellston  
Peninsula Community Library  
Village of Pentwater  
City of Perry  
City of Petersburg  
City of Petoskey  
Village of Pewamo  
Pinora Township  
City of Plainwell  
Plymouth District Library  
Village of Port Hope  
Port of Monroe  
Portage Lake District Library  
City of Portland  
Portland Township  
City of Potterville  
Potterville/Benton Township Fire  
Village of Powers  
Village of Quincy  
Quincy Fire Association  
Village of Ravenna  
Rawson Memorial Library

City of Reed City  
 Rochester Avon Recreation Authority  
 Rochester Downtown Development Authority  
 City of Rockford  
 City of Rockwood  
 City of Rogers City  
 Village of Romeo  
 City of Romulus  
 City of Roosevelt Park  
 Village of Rosebush  
 Village of Rothbury  
 Village of Saint Charles  
 City of Saint Clair  
 City of St. Johns  
 City of Saint Louis  
 Salem Township  
 City of Saline  
 Village of Sand Lake  
 Village of Saranac  
 Saranac Community Volunteer Fire Dept  
 City of Saugatuck  
 City of Sault Ste Marie  
 Village of Schoolcraft  
 Scipio Township  
 Sebewa Township  
 Village of Sebewaing  
 Sebewaing Light & Water  
 Village of Shelby  
 Shelby Area District Library  
 Village of Sheridan  
 Village of Shoreham  
 Sidney Township  
 South Huron Valley Utility Authority  
 City of South Lyon  
 South Macomb Disposal Authority  
 South Macomb Sanitary District  
 Village of South Range  
 Village of South Rockwood  
 Southeast Berrien County Landfill  
 Southeast Michigan Community Alliance  
 Southfield Township  
 Village of Sparta  
 Sparta Fire Department  
 Spaulding Township  
 Village of Spring Lake  
 Spring Lake Township  
 Village of Springport  
 Stambaugh Cemetery Association  
 City of Standish  
 City of Stanton  
 Village of Stevensville

Village of Stockbridge  
 City of Sturgis  
 Summit Township  
 City of Swartz Creek  
 City of Tecumseh  
 Thomas Township Library  
 Village of Three Oaks  
 City of Three Rivers  
 City of Traverse City  
 Traverse City Light & Power  
 Tuscola Area Airport Authority  
 Village of Ubly  
 City of Utica  
 Utica Riverside 175-MBA  
 Van Buren County  
 Village of Vandalia  
 Village of Vernon  
 Vernon Township  
 Village of Vicksburg  
 City of Wakefield  
 Village of Walkerville  
 City of Walled Lake  
 City of Watervliet  
 Waverly Township  
 City of Wayland  
 Wayland Area Ambulance  
 Village of Webberville  
 Wells Township  
 White Lake Ambulance Authority  
 White Lake Building Inspection Board  
 White Lake Solid Waste Authority  
 City of Williamston  
 Village of Wolverine Lake  
 City of Woodhaven  
 City of Wyandotte  
 City of Ypsilanti  
 Ypsilanti Community Utilities  
 Ypsilanti District Library  
 Ypsilanti Charter Township  
 City of Zeeland

Total Pool Membership at 12-31-05 = 392